Annual Report
2016

WESTERN AREAS LTD

Corporate Directory

Directors

Ian Macliver
Dan Lougher
David Southam
Richard Yeates
Craig Readhead
Tim Netscher

Company Secretary

Joseph Belladonna

Auditors

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Perth WA 6000

Bankers

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Perth WA 6000

Stock Exchange

Australian Securities Exchange Limited
Code: WSA

Solicitors

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Share Registry

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Competent Person's Statement:

The information in the Annual Report was compiled by Western Areas management, but the information as it relates to mineral resources and reserves was prepared by Mr Charles Wilkinson, Mr Daniel Lougher and Mr Andre Wulfse who are Competent Persons and members of the Australian Institute of Mining and Metallurgy (AusIMM). They are full-time employees of Western Areas Ltd and have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'(2012 JORC Code). Mr Wilkinson, Mr Lougher and Mr Wulfse consent to the inclusion in the report of the matters based on the information in the form and context in which it appears. The information contained in this report in relation to the New Morning Deposit was prepared and first disclosed under the 2004 Edition of the JORC Code. It has not been updated since to comply with the 2012 JORC Code on the basis that the information has not materially changed since it was last reported.

Forward Looking Statement:

This Annual Report contains certain forward-looking statements including nickel production targets. Often, but not always, forward looking statements can generally be identified by the use of forward looking words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "continue", and "guidance", or other similar words and may include, without limitation, statements regarding plans, strategies and objectives of management, anticipated production and expected costs. These forward-looking statements are subject to a variety of risks and uncertainties beyond the Company's ability to control or predict which could cause actual events or results to differ materially from those anticipated in such forward-looking statements. This Annual Report does not include reference to all available information on the Company and should not be used in isolation as a basis to invest in Western Areas. Any potential investors should refer to Western Area's other public releases and statutory reports and consult their professional advisers before considering investing in the Company.

Contents

From Mine To Port

Western Areas is Australia's highest grade, lowest cash cost nickel producer and its main asset, the 100% owned Forrestania Nickel Project, is located 400km east of Perth in Western Australia. Western Areas is also Australia's second largest sulphide nickel miner producing approximately 25,000 nickel tonnes per annum from its Flying Fox and Spotted Quoll mines - two of the lowest cost and highest grade nickel operations in the world. An active nickel explorer at the Cosmos Nickel Complex and the Western Gawler region in Australia, the Company also holds significant exploration interests in Canada, Finland and Greenland through shareholdings in Mustang Minerals and FinnAust Mining Plc. The Board remains focused on the core business of low cost, long life nickel production, new nickel discoveries and generating returns to shareholders. It has put in place the cost structure and capabilities to prosper throughout the cycle by adopting prudent capital management strategies and an opportunistic approach to project assessment.

Highlights 2015-2016

Safety

Maintained an industry leading safety record.
Zero Lost Time Injuries recorded for FY16.

Environmental

Continued support of local and regional programs, including local schools and associations, the Western Quoll enclosure at the Perth Zoo and the Starlight Children's Foundation.

Cosmic Boy Concentrator

Record throughput from the Cosmic Boy Concentrator, processing 616,279 tonnes of ore during the year.

Production Costs

Forrestania operations continued to generate positive operating cash flow. Sustainable cost reductions, improved efficiency and innovation resulted in a unit cash cost of A$2.26/lb of nickel in concentrate.

Spotted Quoll Mine

Record production from Spotted Quoll, production in excess of 15,000 nickel tonnes.

Flying Fox Mine

Flying Fox continues to deliver consistent production, mining over 12,000 tonnes of nickel for FY16.

Exploration

The Cosmos Nickel Complex and Western Gawler project offering exciting growth and exploration opportunities.

Balance Sheet

Western Areas remains debt free with a reported net cash position of A$75.7m at 30 June 2016.

Chairman's Letter

Ian Macliver

Independent
Non-Executive Chairman

Dear Fellow Shareholder,

On behalf of your Board of Directors, I am pleased to present to you the Annual Report for the year ended 30 June 2016. Western Areas has had a solid year operationally, meeting production guidance and maintaining an excellent safety record. This operational performance coupled with our strong balance sheet and high quality assets leaves the Company extremely well positioned to endure a difficult nickel price environment.

Western Areas financial results show that the Company has remained cash flow positive throughout the period, a major achievement in light of nickel price weakness. The nickel price has had an impact on profitability through it's direct impact on revenues and indirect impact on write-offs and impairments on some non-core assets.

Western Areas has been extremely focussed on controlling costs to further optimise its business and respond to the nickel price environment. Continued operational efficiency and cost reduction programs have lowered cash costs of production and delivered positive operating margins and cash flow from operations, an outstanding achievement in a difficult environment. We expect to continue this strong focus on cash margins in the coming year.

Operationally, Western Areas is in a very strong position with the Company reporting record mill throughput in 2016 and record Spotted Quoll ore tonnes. Western Areas is a consistent performer and is pleased to have met or exceeded its production guidance for the last 6 years. The Company is extremely proud of its safety record and is over 2 years LTI free. The Company is also very proud to report positive operational cash flow even at the current low nickel price.

Western Areas has been a prudent manager of shareholder capital, ensuring the Company is in a solid position to weather nickel price weakness. The Board has decided not to pay a dividend for the full year, a decision that is consistent with the previous half and the Company's dividend policy. Western Areas has a track record of paying-dividends over the last five years and while it is the Board's desire to pay dividends it must consider the prevailing nickel price and future capital requirements.

To provide further balance sheet strength, Western Areas completed a capital raising of $75 million and during the year deferred $34 million of capital costs from FY16 to FY17. These measures have given the Company flexibility at a time of low nickel prices and allowed us to remain debt free at the end of the year. Western Areas is now extremely well positioned with $76 million in cash at bank and zero debt at the end of the reporting period.

There is no doubt that the current nickel price environment is challenging, in fact, the nickel price is now trading below the 50th percentile on the cost curve, implying that more than 60% of producers are losing money. That said, the Company's high grade assets and low cost of production places us in a favourable position to deal with nickel price weakness. In the medium to longer term, the nickel outlook is brighter with many analysts predicting demand increases to outstrip supply, in part driven by fast growing markets for nickel such as the battery sector.

Going forward, the Company's focus will be on continuing to preserve financial strength, manage operations carefully with a specific emphasis on cash generation rather than raw production numbers. Western Areas is also looking into the future and remains committed to development of Cosmos and continued exploration at both Cosmos and Western Gawler region.

In closing, I would like to acknowledge and thank the Company's Managing Director, Dan Lougher, the executive team and all of the employees, contractors and suppliers of Western Areas for their hard work and dedication throughout the year. The valuable insights and hard work of my fellow directors has been instrumental in keeping the focus on the core business of low cost, long life nickel production and new discoveries for Western Areas.

I Macliver

Ian Macliver
Independent Non-Executive Chairman

Managing Director's Report

Daniel Lougher

Managing Director
& Chief Executive Oficer

The 2016 financial year (FY16) has been a strong year operationally for Western Areas. The Company has delivered financial results that are underpinned by significant reductions in spending factors under management control in response to the challenging nickel price environment. The Company's operations remained cash flow positive through this period, which is a significant achievement and a testament to the high grade mines, outperforming mill and the management approach to ensuring low cash cost operations. Importantly, all of this was achieved with no Lost Time Injuries (LTI's) recorded across the Company.

Western Areas remains debt free and reported a net cash position of A$75.7m at year-end. During the year the Company repaid A$125m of convertible bond debt which significantly reduced the interest charges in FY16. On 31 March the Company announced an underwritten A$60m share placement followed in April by a Share Purchase Plan of A$15.0m. The funds raised allowed the Company to repay the A$25m corporate facility held with the ANZ Bank as well as completing the final payment of A$12.7m for the acquisition of the Cosmos Nickel Project (Cosmos).

For the sixth consecutive year, Western Areas reported key operational metrics that either met or exceeded guidance demonstrating the exceptional consistency of the Company's operations. The guidance result in FY16 was assisted by record production from the Spotted Quoll mine and record throughput from the Cosmic Boy Concentrator above name plate capacity. Flying Fox and Spotted Quoll mines, based on reported Ore Reserves, have mine lives of five and eight years respectively and remain two of the highest grade nickel mines in the world.

As a Company we are exceptionally proud of our safety record with ZERO LTI's for FY16, taking the Company to over two years without an LTI. A particularly pleasing outcome was achieved at Spotted Quoll mine and Cosmic Boy Concentrator, where they have successfully operated four years and three years respectively without an LTI and a full year without a Medically Treated Injury. This is an outstanding achievement and great credit must be given to the teams involved.

Controlling costs and optimising operations was a key focus which will continue into the coming year. The Company has continued to drive down its operational and corporate cost base, whilst improving efficiency through many staff driven initiatives and innovation. As a result, the Company was able to deliver a reduction in unit cash costs of production of nickel in concentrate to A$2.26/lb. These actions have ensured that positive operating margins and cash flow from operations were maintained in FY16 despite the external influence of decade low nickel prices. This demonstrated resilience has helped the Company maintain its position as one of the world's lowest cost pure-play nickel producers.

	FY16	FY15
Lost Time Injury Frequency Rate (LTIFR)	0.0	0.0
Total Ore Mined (tns)	590,246	540,268
Average Mined Grade	4.7%	4.9%
Contained Nickel Mined (tns)	27,607	26,524
Total Ore Processed (tns)	616,279	609,727
Average Processed Grade	4.5%	4.7%
Average Recovery	90%	90%
Contained Nickel Processed (tns)	25,009	25,801
Nickel Sold (tns)	24,793	26,036
Average Nickel Price Received (US$/tn)	9,083	14,514
Cash Costs before smelting/refining (A$/tn)	2.26	2.31
Average Exchange Rate USD/AUD	0.73	0.84

During the year the Company announced a prudent approach to capital expenditure and exploration spend given the nickel price headwinds. This resulted in the deferral of $34.0m of capital spend which was only possible due to the significant investment in capital in prior years. As part of that deferral the Mill Enhancement Project was postponed, however due to our confidence in the fundamentals of this project, all long lead items were ordered and have been subsequently delivered to site.

Notwithstanding the ongoing challenging nickel price environment, the Forrestania operations continued to generate positive operating cash flow, with additional benefits from the capital deferral program being fully implemented during the year. The measured approach to discretionary exploration expenditure continued at both Cosmos and Western Gawler projects.

The decline in the nickel price over FY16 is no doubt well understood by our shareholders. However, Western Areas was able to insulate itself to a degree by virtue of its high grade assets, low cost of production, debt free balance sheet and the support of shareholders. There are a number of factors which influenced the nickel price in FY16 including record high LME and Chinese nickel stockpiles, the ramp up for Filipino laterite exports following the Indonesian nickel laterite export ban and Chinese nickel pig iron production. However, history and logic suggests that nickel prices are not sustainable at this level and we can see a number of potential catalysts for nickel price improvements, some of which have transpired post FY16. Some potential catalysts include recent comments and actions by the Philippines government regarding stronger environmental controls being imposed on nickel laterite operators. Furthermore, we see encouraging signs of continuing growth in 300 series stainless steel demand, which contains the highest nickel content of any stainless steel product.

Potential further drivers to a price improvement include a reduction in supply due to some closures of high cost mines (some of which occurred in late FY16), an upturn in global stainless steel demand and the use of nickel in lithium-ion batteries that power electric vehicles. We are confident that the nickel price cycle will turn and whilst we cannot control the timing we can control the operational and corporate aspects of our business to ensure Western Areas is best positioned for this price upswing.

Consistent with past practice, the Company will be commencing a formal tender process during the first half of FY17 for its nickel concentrate off-take contracts beyond CY16. This will be the first year that both the Jinchuan and the bulk of the BHPB contracts will mature together. In anticipation of off-take becoming available, the Company has been working with globally significant commodity companies on developing alternative markets for nickel concentrates whilst also actively marketing our highly sought after concentrate to traditional smelters and commodity traders.

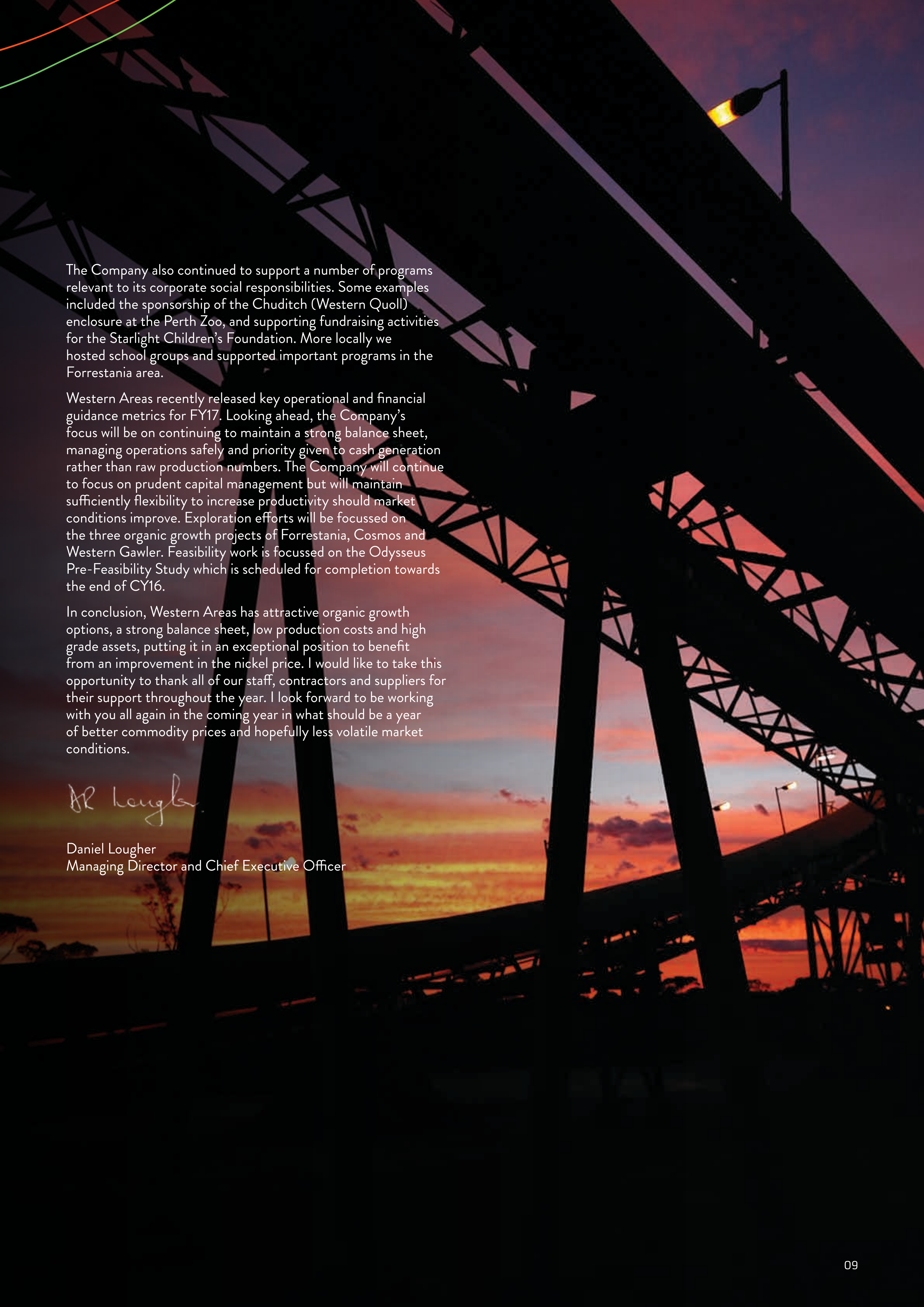
Western Areas has delivered on its previously stated intention to invest in exploration at Forrestania, Western Gawler JV and the newly acquired Cosmos project. During the year, Cosmos transitioned from care and maintenance to an exploration site with progress highlights including the commencement of drilling at Ulysses, completion of a Surface Moving Loop EM (MLEM) survey and continuation of near mine target generation activities. The Company is also pleased to have completed an update to the Xstrata scoping study for the Odysseus Project and has now commenced a pre-feasibility study. The Company continues to believe that Cosmos is one of the most prospective nickel belts in Australia and is significantly under-explored.

At our Western Gawler project, the Company earned 100% ownership in the Monax tenements and continued its earn-in into the Strandline JV tenements. Extensive geophysical surveys (fixed and MLEM and gravity surveys), combined with reverse circulation drilling were also completed over various targets. Initial drilling results exceeded expectations with prospective mafic intrusions identified during the first round of RC drilling. The Company is very committed to the long term exploration investment in this region and believes that there is potential to find a significant discovery in this belt.

At Forrestania, exploration and resource extension drilling activities continued at Spotted Quoll, Flying Fox and the New Morning project, with the pace of activity moderated in line with the Company focus on cash flow and controlling costs. Studies completed to date indicate that the New Morning Project may be amenable to an open pit mine at improved nickel prices. The Company is undertaking comprehensive metallurgical test-work to evaluate the potential for the use of the Bioheap technology in the nickel extraction process.

During the year there has been significant activity in the Lithium space. Western Areas consequently received a number of corporate approaches and enquiries regarding the Lithium potential of our tenements. Accordingly, the Company has commenced some limited and low key activities to determine the lithium endowment potential. Initial results from re-assaying historical core has delivered interesting results as reported in the Quarterly Reports. On completion of work in early FY17, it is the Company's intention to identify the most appropriate solution to maximise value of these tenements, with the understanding that Lithium is likely to be a non-core activity for the Company.

A high standard of environmental management has been maintained during the financial year across the Company with no major reportable environmental incidents. Ongoing environmental monitoring programs of the declared rare flora health adjacent to the Spotted Quoll mine operations and Western Quoll population surveys continued. Environmental weed and feral animal eradication programs were ongoing during the year in conjunction with seed collection for rehabilitation. Approximately 9.5kg of seed was processed and stored which has the potential to produce approximately 50,000 plants and rehabilitate 45 hectares of land.



The Company also continued to support a number of programs relevant to its corporate social responsibilities. Some examples included the sponsorship of the Chuditch (Western Quoll) enclosure at the Perth Zoo, and supporting fundraising activities for the Starlight Children's Foundation. More locally we hosted school groups and supported important programs in the Forrestania area.

Western Areas recently released key operational and financial guidance metrics for FY17. Looking ahead, the Company's focus will be on continuing to maintain a strong balance sheet, managing operations safely and priority given to cash generation rather than raw production numbers. The Company will continue to focus on prudent capital management but will maintain sufficiently flexibility to increase productivity should market conditions improve. Exploration efforts will be focussed on the three organic growth projects of Forrestania, Cosmos and Western Gawler. Feasibility work is focussed on the Odysseus Pre-Feasibility Study which is scheduled for completion towards the end of CY16.

In conclusion, Western Areas has attractive organic growth options, a strong balance sheet, low production costs and high grade assets, putting it in an exceptional position to benefit from an improvement in the nickel price. I would like to take this opportunity to thank all of our staff, contractors and suppliers for their support throughout the year. I look forward to be working with you all again in the coming year in what should be a year of better commodity prices and hopefully less volatile market conditions.

Daniel Lougher
Managing Director and Chief Executive Officer

"

Our operation remains extremely resilient with positive operating cashflow and a workforce continuing to drive innovation and productivity improvements across the business.

"

Operations Review

Group Overview

Western Areas is an Australian based high grade, low cash cost nickel producer. The Company is listed on the Australian Securities Exchange (ASX) under the ticker symbol "WSA" and has been a member of the ASX 200 for many years.

The Company's main asset is the 100% owned Forrestania Nickel Project located 400km east of Perth in Western Australia. Western Areas is also Australia's second largest sulphide nickel miner producing approximately 25,000 nickel tonnes per annum from its Flying Fox and Spotted Quoll mines which are two of the lowest cost and highest grade nickel operations in the world.

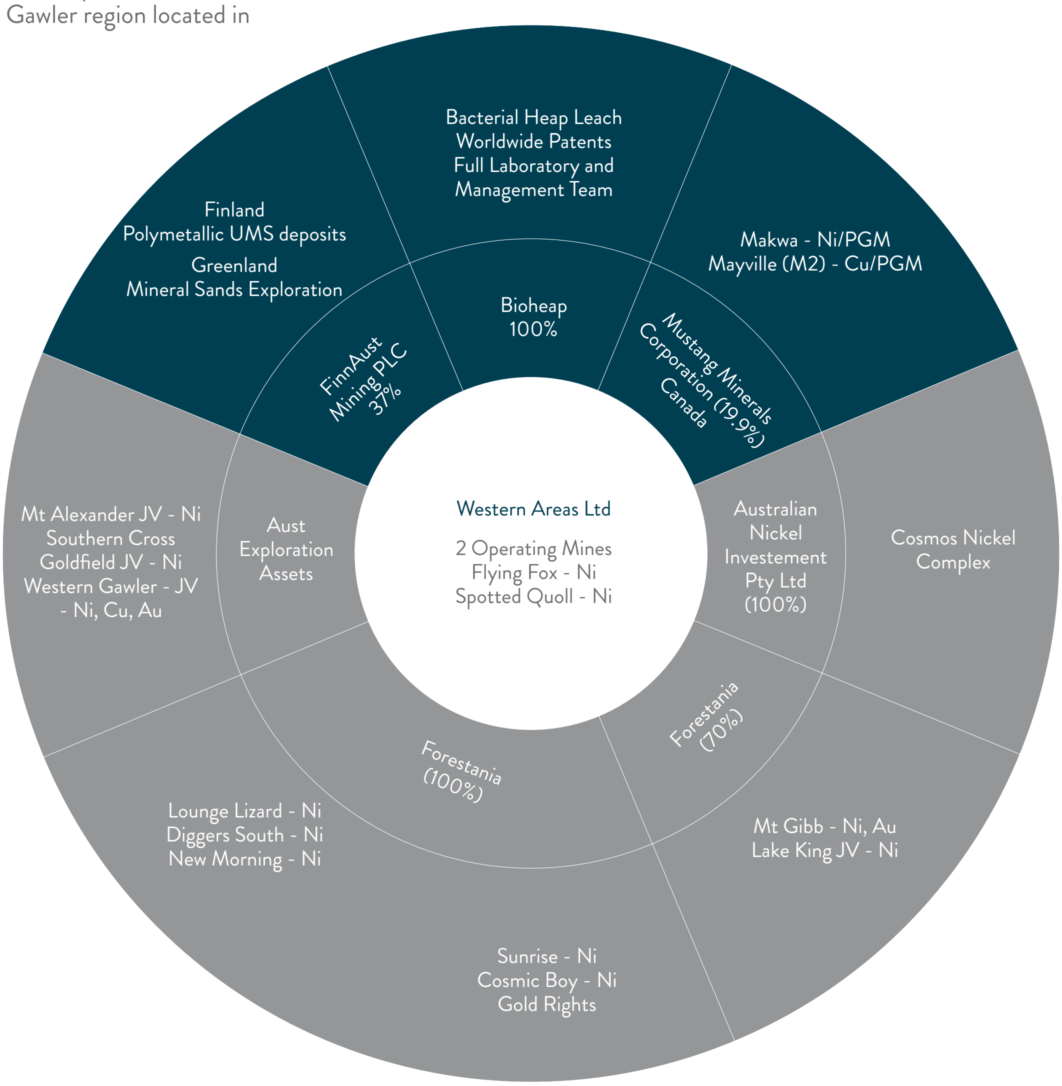
The high grade nickel ore mined is processed through the Cosmic Boy Concentrator (CBC) and sold into offtake agreements with BHP Billiton for 12,000tpa nickel in concentrate and 13,000tpa with Jinchuan for a total 25,000tpa nickel in concentrate.

The Company is an active nickel explorer at both the Cosmos Nickel Complex located in Western Australia and Western Gawler region located in South Australia and the Company also holds significant exploration interests in Canada, Finland and Greenland through shareholdings in Mustang Minerals and FinnAust Mining Plc.

The Board remains focused on the core business of low cost, long life nickel production, new nickel discoveries and generating returns to shareholders. It has put in place the cost structure and capabilities to prosper throughout the cycle by adopting prudent capital management and an opportunistic approach to joint venture opportunities and asset acquisition.

Structure

Western Areas Ltd is a company limited by shares that is incorporated and domiciled in Australia. Western Areas Ltd has prepared a consolidated financial report incorporating the material entities that it controlled during the financial year, which are shown below along with the principal assets of each.



Western Areas Safety

There were no Lost Time Injuries (LTI) for FY16 which is an excellent achievement considering the Forrestania Nickel Operations (FNO) runs a concentrator, two deep underground mines, surface exploration program and a trucking logistics function from FNO to Kambalda and Esperance Port. Two significant milestones were achieved during the year; firstly, the CBC achieved three years with no LTI's and secondly, the concentrator and the Spotted Quoll mine achieved 12 months without a LTI, medically treated injury (MTI) and restricted duty injury (RDI).

A summary detailing the LTI free days by operating department at year end is shown in the table below.

Department	LTI free days
Surface Exploration	2,921
Spotted Quoll UG mine	1,904
Cosmic Boy Village	1,612
Cosmic Boy Concentrator	1,103
Flying Fox UG mine	1,086
Surface Haulage	820

The Company set an ambitious target of reducing the combined FNO work-place Total Recordable Injury Frequency Rate (TRIFR; recordable injuries are those which require medical treatment, restricted duty or result in lost time) by 25% for the year and managed to achieve an excellent 32% decrease from 15.2 to 10.4.

Senior managers and department safety representatives have been active and visible in the workplace with a 20% increase in work-place safety inspections and audits (118 from 96). Reviews of safety plans, procedures and other documents continue in order to improve the safety management system. All FNO departments and contractors continue to ensure that safety and risk management remain a high priority in the workplace.

During the year the Department of Mines and Petroleum (DMP) focussed on work-place mental health with a subsequent FNO mental health audit completed by the DMP inspectors in April. The audit resulted in an excellent rating for the Company. As part of our commitment to continuous improvement in this area, our emergency response co-ordinators have completed dedicated workplace mental health training to better equip our personnel.


Rope Rescue exercise


Breathing Apparatus exercise

Hazardous Materials scenario


Fire fighting exercise

The Emergency Response Team (ERT) took part in its second Perth based WA Mines Emergency Response Competition in November, where the team performed very well with a third place in the Breathing Apparatus exercise and Emergency Response Readiness exercises plus a second place in the Fire Fighting exercise.

In November and December the ERT assisted the Department of Fire and Emergency Services (DFES) teams and local community fire-fighting volunteers to control and extinguish bush-fires to the north of FNO. Despite hot weather and difficult conditions over a three week period, the fires were effectively managed with no injuries sustained.

Forrestania Environmental Activities

Environmental compliance was maintained at a high standard throughout the financial year with only five minor environmental incidents reported which included a small hydrocarbon spill, two small water spills, one procedural and one vegetation incident. The environmental impact from these was minimal and the causes addressed to prevent re-occurrence.

The Department of Environment Regulation (DER) revised the Prescribed Premises Licence in April 2016 to streamline licence conditions. As part of the licence revision, the permitted annual throughput of the process plant was increased by 80,000t to 680,000t/year.

Various environmental permitting applications for surface infrastructure upgrades were submitted and approved by the relevant regulators throughout the year, which included the WA Department of Mines and Petroleum (DMP) and Department of Environmental Regulation (DER) approval for the raise of the Cosmic Boy Tailings Storage Facility (TSF), CBC scats storage area and Spotted Quoll return-airway raise-bore shaft. In addition, a number of clearing permits to cover exploration and infrastructure works in environmentally sensitive areas were also granted.

Rehabilitation activities were ongoing with the collection and development of approximately 10kg of native seed during the year, sufficient to propagate 50,000 plants and rehabilitate 45ha of land. Vegetation transect monitoring continued during the year as well as the monitoring of Declared Rare Flora.

Monitoring programs for Malleefowl (Leipoa ocellata) and Chuditch (Dasyurus geoffroii) continued during the year using motion sensor cameras with good success. Monitoring efforts for Malleefowl, in particular, are continuing to improve the knowledge of the species in the area. Both the Malleefowl and the Chuditch are listed as Schedule 1 Threatened Fauna at a State level and as 'vulnerable' at a Commonwealth level and Western Areas is committed to supporting these activities as part of the Company's sustainability programme.

The Company also continued its involvement with the Carbon Disclosure Project (CDP) by submitting carbon emission data as part of CDPs annual reporting requirements.

Community

During the financial year, the Company re-committed to sponsorship agreements with the Perth Zoo for the Western Quoll enclosure, the Department of Parks and Wildlife (DPaW) in support of the Western Shield wildlife recovery program, the WA Museum for the Caraby's Cockatoo Research Program and Eastern Wheatbelt Biosecurity Group for feral animal control.

Western Areas has developed an excellent relationship with the Tjiwarl Claimant Group at Cosmos. As an extension of this relationship, Western Areas recently presented a package of sewing machines and aboriginal material to the Leonora Women's Group, nyunnga gu. The nyunnga gu womens group aims to empower local women by providing a safe environment to learn new life skills and socialise, and therefore avoid local issues such as drug and alcohol abuse and high suicide rates.

Being a long-term supporter of the Starlight Children's Foundation (Starlight), Western Areas enjoys getting involved with various fundraising initiatives that assists Starlight to continue to deliver vital in-hospital and community programs for sick kids, teens and their families. The Company also provided sponsorship to Hyden Primary School in support of their small marsupial conservation initiative and supported the Forrestdale primary school year 6 careers initiative as shown below.

Forrestdale Primary School careers visit

Cosmos

Western Areas conducted care and maintenance environmental monitoring of the Cosmos mine-site following purchase and possession of site in October 2015. Environmental compliance was maintained at a high standard throughout the financial year which included water quality and groundwater depths associated with key infrastructure and aquifers plus weed management and feral animal control.

Community consultation also commenced in November with the local Tjiwarl native title claimant group who have a registered native title claim over an area of land which includes the Cosmos mine-site. The Company is committed to developing and maintaining a good working relationship with the traditional owners of the land and a number of meetings were held during the year with the Tjiwarl claimant group and their representatives, Central Desert Native Title Services.

The Tjiwarl group also provided cross cultural awareness training to Company staff which was informative and well received. In June, the Company entered into a Deed of Agreement with the Tjiwarl group to allow heritage surveys of the Lake Miranda area. Subsequently the Tjiwarl group cleared a number of surface exploration drill-hole sites and the Company looks forward to future good working relationships with the Tjiwarl group.

Flying Fox Mine

The Streeter Decline advanced 144m for the year, with 826m of associated lateral capital development to establish the 230 and 215 stope blocks and intersect ore at the 180 level. There was also 25m of capital vertical development to extend the escape-way ladder system from the 230 to 245 level.

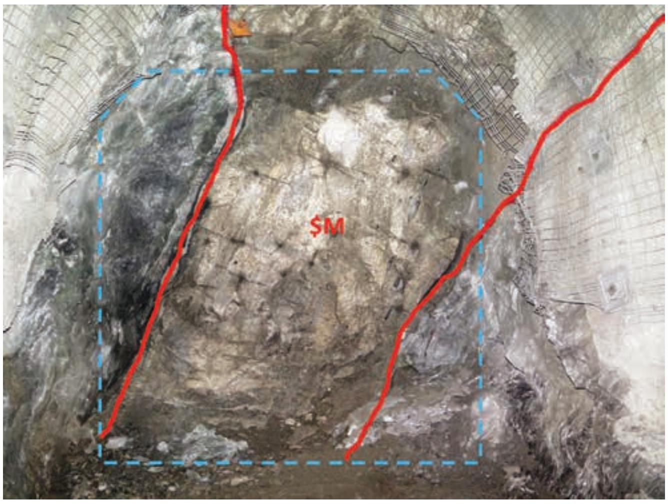
The lowest development level now sits at 1,262m below surface.

At the end of the financial year, the T4 ore body was mined out from the 655 level to the 760 level leaving the 615, 630 and 640 levels which were completed by September 2016.

Flying Fox production continued to be sourced predominantly via longhole methods from the T5 area of the 385, 410, 527, 515 (finished), 335, 255, 295 and 285 stopes plus minimal flat-back stoping at the 230 level. Narrow vein stoping using specialist contractors supplemented production with high-grade ore from the 760 and 730 stopes.

Retro-fitted surface to underground paste-fill capability was successfully commissioned in July with 53,300m^3 of paste-fill poured for the year. This has allowed the mine at the 285 level, to transition from a ‘bottom-up’ with rock-fill to a ‘top-down’ with paste-fill stoping sequence which is more suited to the geotechnical environment in the lower levels of the mine.

Flying Fox mine is now in its 10th year of ore production with a remaining reserve mine life of 5yrs. It continues to be one of the highest grade nickel mines in the world.



Massive ore in the 200 south ore drive with an average face grade of 5.0 nickel

Flying Fox Infrastructure

A second sand pit was established in the last quarter to maintain sand supply for paste-fill blends. The pit is located 2.5km from Flying Fox and 6.0km from Spotted Quoll mine-sites and will provide lower haulage costs compared to the original sand pit located on the internal haul road to CBC.

The seismic network expansion included the addition of four additional sensors located in the deeper areas of the mine to cover new development and future stoping, plus extra computer hardware to accommodate the additional processing of information.

An extension to the main paste reticulation network to the 230 level plus replacement of the 600m surface to underground sacrificial paste bore-hole casing was completed in the third quarter.

Spotted Quoll Mine

The Hanna Decline advanced to a depth of 662m (738m RL) below the surface and accessed the 750 level by June 2016.

Mining of the North lode orebody was completed in the year, with a preliminary final total production of 68,750 tonnes of ore at an average grade of 4.8% nickel for 3,290 nickel tonnes. This has removed the requirement to maintain the 1155 and 1215 North lode ore drive access floor pillars allowing stoping of the 1140 level.

The majority of the ore production for the year was sourced from the 1020 to 915m RL and mainly from the 1005, 997, 990, 971 and 962 levels. Production continued between the 1125 to 1020m RL with the completion of the 1065, 1050 and 1035 levels.

The single-boom jumbo area (932 to 710m RL) using specialist contractors, successfully commenced long-hole production from the 911 panel 1 stope in early March. Smaller ore drive development (nominal 3.5m x 3.5m profile) continued from the 881 to 852 levels and 832 to 812 levels.

The mine continues to plan production from three main lode stopes concurrently to ensure a continuous flow of ore. Split firing at the narrower ends of the lower ore drives has proved successful with additional high grade ore extracted, thereby ensuring no economic mineralisation is left behind.

The now well established ‘top-down’ longhole benching using paste-fill continues to be a reliable, safe and productive stoping method with nearly 76,000m^3 poured for the financial year. The paste-fill allows for quicker stope void filling resulting in more efficient turnaround times for stopes.

Spotted Quoll Infrastructure

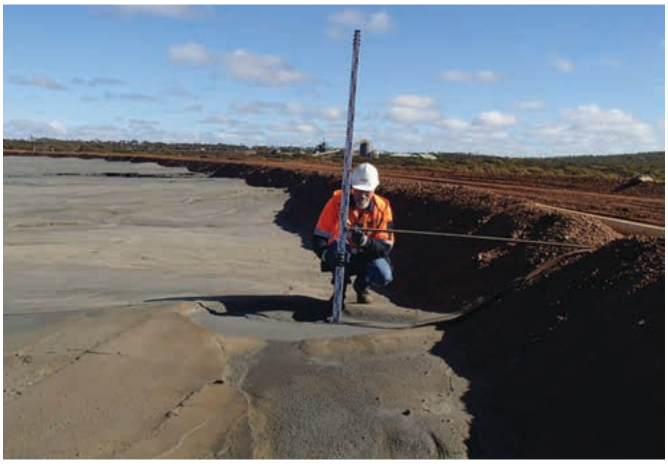
Site establishment for the surface to underground 4.5m diameter raisebore return-airway (RAW) shaft commenced in January 2016 with raisebore collar and sub footings. The pre-pilot drill-hole (640mm diameter) was successfully drilled though the 50m weathered and transitional zones to primary rock. This was subsequently cement cased and the pilot hole (480mm diameter) commenced using the self-steering directional “rotary vertical drilling system” (RVDS) to minimise drill-hole deviation. At the end of June the pilot hole was at 410m depth below surface and on schedule to break through into the 790 level (design depth 610m). The completion of the RAW will occur during the first half of FY17 and represents the last remaining, large one-off sustaining capital items at the mine.

Mine Ore Production

Tonnes Mined			2014/2015			YTD
		Sep Qtr	Dec Qtr	Mar Qtr	Jun Qtr	Total
Flying Fox						
Ore Tonnes Mined	Tns	67,400	76,163	62,017	68,161	273,741
Grade	Ni %	4.7%	4.2%	4.6%	4.7%	4.5%
Ni Tonnes Mined	Tns	3,155	3,183	2,876	3,218	12,432
Spotted Quoll - Underground						
Ore Tonnes Mined	Tns	80,702	81,318	82,711	71,774	316,505
Grade	Ni %	4.8%	4.6%	4.7%	5.0%	4.8%
Ni Tonnes Mined	Tns	3,905	3,734	3,922	3,614	15,175
Total - Ore Tonnes Mined	Tns	148,102	157,481	144,728	139,935	590,246
Grade	Ni %	4.8%	4.4%	4.7%	4.9%	4.7%
Total Ni Tonnes Mined	Tns	7,060	6,917	6,798	6,832	27,607

Flying Fox Production

Flying Fox mined a total of 273,741 ore tonnes at an average grade of 4.5% nickel for 12,426 contained nickel tonnes which included 95,108 ore tonnes @ 4.5% for 4,319 nickel tonnes from the Lounge Lizard tenement. Total nickel produced was ahead of plans with lower dilution achieved, helping to increase the overall ore grade.



Production Co-ordinator Peter Burrows conducting a tailings storage facility (TSF) survey

Spotted Quoll Production

Spotted Quoll mined a total of 316,505 ore tonnes at an average grade of 4.8% for 15,175 contained nickel tonnes, which was the highest annual production of both ore and nickel tonnes to date.

Maintenance Technicians Luke Hamon & Rob Watts testing the new Crusher Mantle Maintenance Frame

Cosmic Boy Mill Production

Tonnes Milled and Sold		2014/2015				YTD
		Sep Qtr	Dec Qtr	Mar Qtr	Jun Qtr	Total
Ore Processed	Tns	153,540	152,435	156,190	154,114	616,279
Grade	%	4.6%	4.6%	4.4%	4.5%	4.5%
Ave. Recovery	%	89%	89%	90%	90%	90%
Ni Tonnes in Concentrate	Tns	6,252	6,256	6,180	6,321	25,009
Total Nickel Sold	Tns	6,233	6,281	6,011	6,268	24,793

The CBC processed a record 616,279 tonnes of ore at an average grade of 4.5% nickel which is an exceptional achievement given that its nameplate capacity is 550kt. A total of 162,038 tonnes of concentrate was produced at 15.4% nickel containing 25,009 nickel tonnes with an average recovery of 90%. This excellent result is largely due to the well planned and executed preventative maintenance program (98% mechanical availability) plus a process improvement to the grinding circuit, which involved the installation of a control valve enabling better density control in the ball mill and therefore a throughput increase. During the month of June this process improvement enabled the CBC to achieve a record monthly throughput of 55,386 tonnes (77tph) which is approximately 20% above the original CBC nameplate capacity (64tph or 550,000tpa).

Mill Recovery Enhancement Project

The Company decided to minimise capital expenditure due to the sustained low nickel price and consequently the Mill Recovery Enhancement Project (MREP) was restricted to purchasing long lead items and completing detailed engineering for a total cost of approximately $6.5m. The long lead items have all been delivered to CBC in readiness for a recommencement of the project.

While the MREP is on hold, a study to investigate downstream processing to produce a nickel sulphate product from the MREP nickel sulphide precipitate was commenced, with encouraging test-work results. A nickel sulphate precipitate would enable the Company to generate two well sought-after nickel products, being either high grade nickel sulphide concentrate or a relatively pure nickel sulphate precipitate to target the growing lithium ion battery market.

Nickel Sales

Western Areas continued to deliver its high quality and sought after nickel concentrate into the off-take contracts of its two current customers, BHPB Nickel West (NW) and Jinchuan Group. A total of 162,643 tonnes of concentrate was delivered during FY16 which contained 24,793 tonnes of nickel. Both the main NW agreement and the Jinchuan agreement for concentrate offtake are expected to be completed by December and negotiations have commenced with these parties for contract renewals. Notwithstanding, demand is also coming from potential new customers and accordingly a new tender process will be conducted.

Nickel sulphate produced by BioHeap.

Cost of Production

The unit cash cost of production of nickel in concentrate (excluding smelting/refining charges, concentrate logistic and royalties) was A$2.26/lb (US$1.64/lb) for the full year. This result at the lower end of the full year guidance range has been achieved following significant cost reductions and positive ore tonnes and grade reconciliations above those used to generate the full year guidance range. The Company is maintaining focus on embedding cost reductions into the operation for the long term, across all cost centres in the business.

Financial Statistics		2015/2016				YTD Total
		Sep Qtr	Dec Qtr	Mar Qtr	Jun Qtr	
Group Production Cost/lb						
Mining Cost (*)	A$/lb	1.58	1.63	1.66	1.60	1.62
Haulage	A$/lb	0.06	0.05	0.05	0.05	0.05
Milling	A$/lb	0.45	0.41	0.41	0.44	0.43
Admin	A$/lb	0.19	0.17	0.17	0.18	0.18
By product credits	A$/lb	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
Cash cost Ni in Con (**)	A$/lb	2.26	2.24	2.27	2.25	2.26
Cash cost Ni in Con/lb (**)	US$/lb	1.64	1.61	1.64	1.68	1.64
Exchange Rate US$/A$	US$/A$	0.73	0.72	0.72	0.75	0.73

(*) Mining Costs are net of deferred waste costs and inventory stockpile movements

(**) Payable terms are not disclosed due to confidentiality conditions of the offtake agreements. Cash costs exclude royalties and concentrate logistics costs.

Note: Grade and recovery estimates are subject to change until the final assay data are received.

Flying Fox Ore Reserves/ Mineral Resources

During the year, there was further upgrading of the Mineral Resource and Ore Reserve at Flying Fox which has resulted in an increased Ore Reserve and mine life.

The Flying Fox Mineral Resource and Ore Reserve Summaries at the end of the financial year are as follows;

- Mineral Resource: 2.02 million tonnes of ore at a grade of 5.0% nickel for 102,212 tonnes of nickel; and
- Ore Reserve: 1.20 million tonnes of ore at a grade of 4.0% nickel for 48,280 tonnes of nickel.

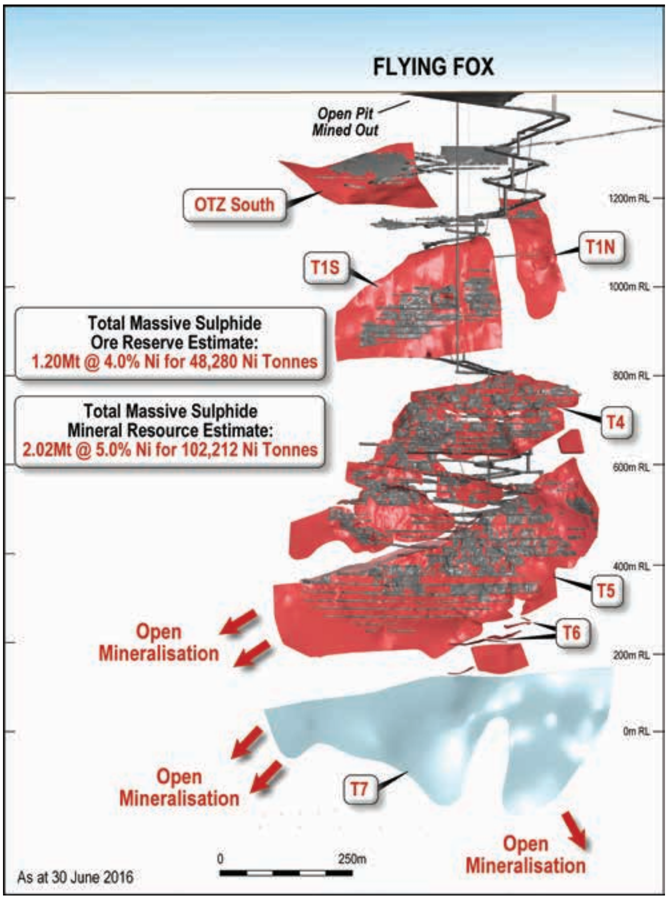
The longitudinal section below shows the Flying Fox mine with mineral resources and reserves depleted for mining production during the year.

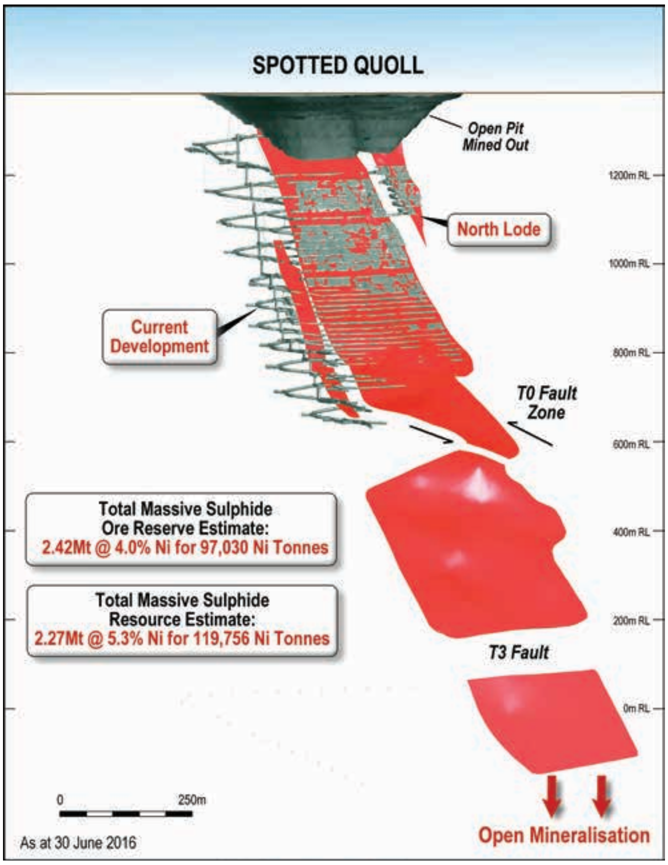
Spotted Quoll Ore Reserves/ Mineral Resources

The Spotted Quoll Mineral Resource and Ore Reserve Summaries at the end of the financial year are as follows:

- Mineral Resource: 2.27 million tonnes of ore at a grade of 5.3% for 119,756 nickel tonnes; and
- Ore Reserve: 2.42 million tonnes of ore at a grade of 4.0% for 97,030 nickel tonnes.

The longitudinal section below shows the Spotted Quoll Mine with mineral resources and reserves depleted for mining production for the year.



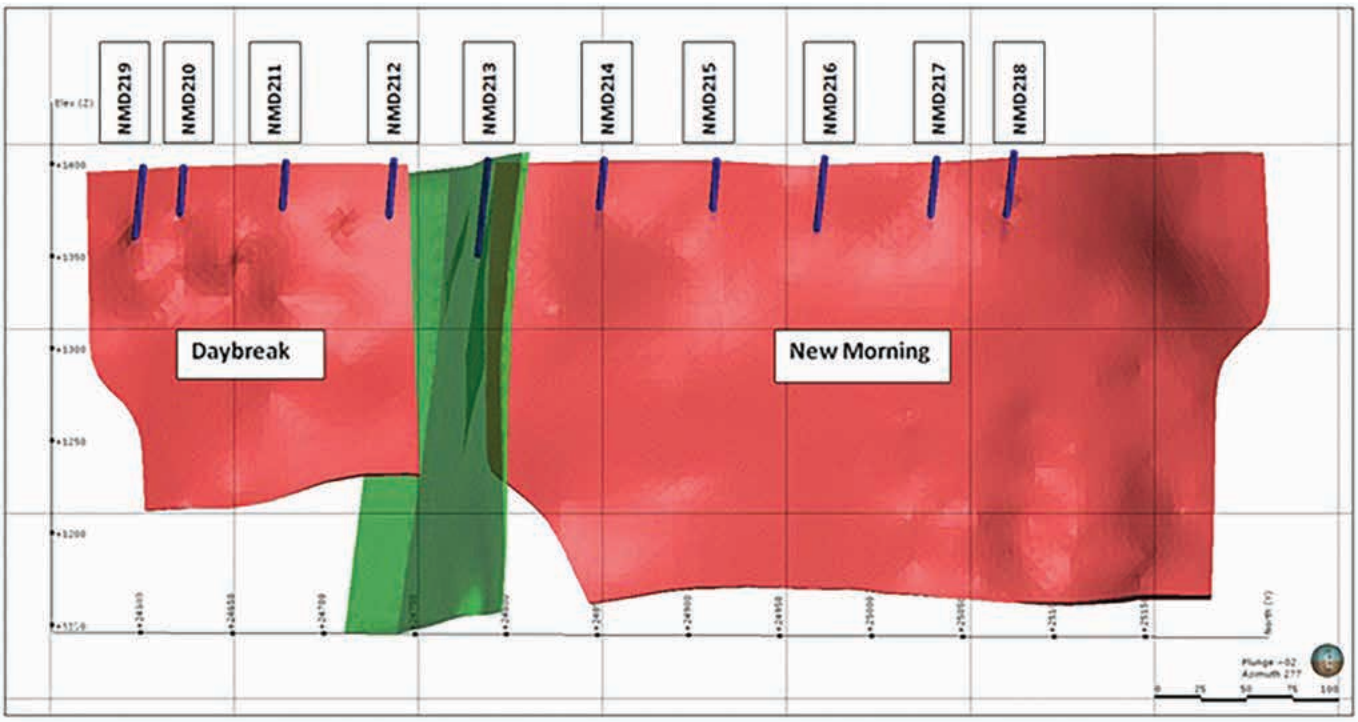


New Morning/Daybreak

As part of our future planning for Western Areas, the Company has been steadily working on potential start-up and trade-off studies associated with New Morning/Daybreak deposit.

Further shallow (less than 70m deep) surface drilling to test the open-pit potential of the New Morning/Daybreak orebody was completed. A total of ten surface drill-holes using large diameter core (PQ) were completed for a total of 668m along the strike length of the New Morning and Daybreak deposits (see long-section schematic below).

Preliminary resource models using nominal cut off grades of 0.5% Ni and 0.7% Ni respectively, were completed with encouraging results showing a significant increase in nickel by volume (+ 20%) when compared to the previous models.



Cosmos Nickel Complex ("Cosmos")

Cosmos was acquired from Xstrata Australasia Nickel Operations Pty Ltd (XNAO), a subsidiary of Glencore plc with settlement and site possession completed on the 1st October 2015, which has provided the following advantages to the Company:

- Substantial exploration potential in a highly endowed nickel province;
- A potential third underground mine with Odysseus high grade deposit, hosting a total Mineral Resource of 7.3 million tonnes @ 2.4% nickel containing 174,000 tonnes of nickel;
- Extensive surface infrastructure with a 450ktpa concentrator, new SAG mill & 520 person Village to support an early start up.

Cosmos transitioned from a 'care and maintenance' status to an exploration site with a geophysical team and Boart Longyear operating a surface diamond drill rig. The Village capacity is currently 25 rooms with a fully functioning dry mess to cater for the small on-site team, which can be increased at relatively short notice.

The update of the Odysseus Xstrata Scoping Study was completed early in the June quarter which recommended transitioning to a Prefeasibility Study (PFS). Following Board approval, the PFS started in May, focussing on the Odysseus and Odysseus North metallurgical, geotechnical and mining sections, with planned completion in the December 2016 quarter. At this juncture, the Board will make a decision on whether to proceed to a definitive feasibility study.

View of the Cosmos mill at sunset


WESTERN AREAS
FORRESTANIA NICKEL

Explorations Review

Western Areas has an active, targeted and balanced exploration program directed at both replacing existing resources and reserves and also targeting new discoveries in known areas and new or greenfield terrains.

With the acquisition of the Cosmos Nickel Complex ("Cosmos") from Xstrata Australasia Nickel Operations Pty Ltd ("XNAO") in October 2015 this project became a key component of the Company's exploration portfolio. The Company believes the Cosmos tenements host large, cumulative, ultramafic bodies associated with high tenor nickel sulphides, and accordingly is encouraged by the strong prospectivity of the area. Work to date has already been successful in defining drill worthy targets. Cosmos will provide Western Areas with substantial additional exploration upside and a potential second mining operation to sit alongside its premium mines and exploration opportunities at the Company's existing Forrestania Nickel Operation.

Significant progress was also made on the Company's ground holding in the Western Gawler region of South Australia. This included the identification of the right host rocks for mineralisation and geochemical anomalism in a number of areas, as well as the identification of further potential prospective target areas. With an expanded portfolio the Company now holds some 4,450km^2 of the prospective Western Gawler terrain. The Company considers the area has the potential to host significant mafic-ultramafic, intrusive-related poly-metallic (nickel, copper +/- PGEs) deposits.

During the year BHP Billiton sold its interest in the Mt Alexander Joint Venture tenure to St George Mining Limited (SGQ). The Joint Venture (in regard to E29/638 only) is held by SGQ (75%), with SGQ as the Manager of the Project, and Western Areas retaining a 25% non-contributing interest in the Project until there is a decision to mine. SGQ announced they have intersected further high grade nickel (+/- copper) massive sulphides at the Cathedrals and Strickland prospects.

In addition, work was undertaken focussing on locating high grade nickel sulphide mineralisation associated with komatiitic lava flows within its Forrestania tenement package. This large tenement holding, comprising some 900km^2, covers over 125km strike length of ultramafic hosting stratigraphy and is made up of both wholly owned Western Areas and Joint Venture tenements, Figure on page 25. The majority of the work in FY16 was directed at assessing the Eastern Ultramafic Belt (EUB) including existing projects and a number of new areas. Outside of traditional nickel exploration, some early stage work was conducted on the EUB for Lithium. This work was driven by numerous approaches from third parties to obtain access, purchase or joint venture Western Areas' Lithium rights. The initial work has already identified a number of areas for follow-up with very high grade intersections of Li_2O assayed from historical samples.

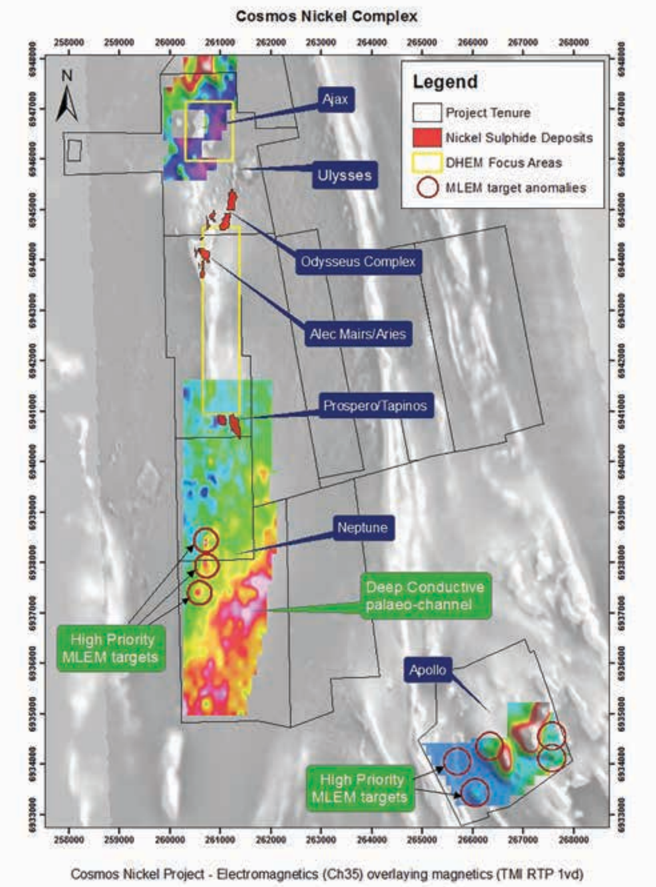
Again it is worth noting that the Company's exploration activities were completed LTI free and with no reportable environmental incidents.

Cosmos Nickel Complex (100% WSA)

On 1 October 2015, the Company announced that, through its 100% owned subsidiary Australian Nickel Investments Pty Ltd, it had completed the acquisition of Cosmos from XNAO, a subsidiary of Glencore Plc. Exploration activities, of a purpose-fit program that has been designed to be conducted over a 24 month period, commenced immediately after the Cosmos acquisition. These activities have already been successful in generating prospective targets to be drill tested in the coming year.

Three key areas were identified as exploration priorities, Figure below, and included;

- Surface Moving Loop EM (MLEM) surveys using the best new electro-magnetic (EM) methods and technologies available to cover most of the prospective ultramafic host stratigraphy;
- Drill testing the Ulysses target area, which lies to the north of the Odysseus ore bodies; and
- The application of three-component DHEM to refine the known, untested EM anomalies, and to identify potential new high grade mineralisation along the near-mine corridor.



Cosmos Nickel Project - Electromagnetics (Ch35) overlaying magnetics (TMI RTP 1vd)

MLEM survey work commenced late in 2015 covering most of the prospective ultramafic host stratigraphy, including the high priority Neptune area, which lies south of the Prospero and Tapinos high grade nickel deposits. This area is interpreted to contain the highest volume of cumulate ultramafics in the Cosmos Nickel Belt. The survey work was also extended to the north.

A number of MLEM anomalies were identified from the survey, some in highly favorable stratigraphic settings. Three single peak anomalous responses were observed in the survey in the Neptune area. Encouragingly these anomalies occur along the western (basal) margin of the interpreted ultramafic package, where there has been minimal deep drill testing. In addition to the above, a number of moderate to weak, short strike length anomalies were also detected in the Apollo area. Some of these lie adjacent to the interpreted Camelot ultramafic stratigraphy and in areas of other known ultramafic rocks. These anomalies have not been explained by previous drilling. These anomalies and the ultramafic stratigraphy in the Apollo area, as well as those in the Neptune area, will be tested in the coming year.

A drilling focused heritage clearance survey was conducted around the Neptune area in conjunction with the Tjiwarl Native Title Claimant group. A total of 8 sites have been cleared for drilling, including key locations to test the high priority MLEM anomalies that were defined in the previous phase of exploration (Figure on page 22). The planned exploration program will include the first deep drilling to test the prospective ultramafics at depth and below the dry lake, and will also provide a platform for further down-hole geophysics (DHEM/DHMMR).

Exploration at Ulysses targeted untested historical EM anomalies with the potential to extend the Odysseus ultramafic and disseminated nickel sulphides to the north. Two drill holes WAD001 and WAD001a, a wedge from WAD001, successfully intersected the target area, but no ultramafics rocks, instead encountering pegmatite, mixed with intermittent rafts of felsic volcanic host rocks. WAD001 and WAD001a have confirmed the extensive nature of the pegmatite to the north of the Odysseus Complex, likely marks a regional scale structure with a potentially large offset. The possibility still remains that any ultramafic (and associated nickel mineralisation) may be offset or displaced from the main mineralised trend and, as such, remains a compelling target. A review and modelling of the felsic intrusives and structures in the area is underway to assess the potential for further mineralisation in the Ulysses area.

Significant volumes of disseminated nickel sulphides, with zones of network textured sulphides, are located between the Cosmos/Alex Maires and the Prospero/Tapinos orebodies. Only about 30% of the basal contact of the main mineralisation trend has been tested by previous drilling. Some of the untested EM targets may represent accumulations of massive nickel sulphides.

Whilst most of the historic drill holes were routinely surveyed with DHEM, these surveys used technology that is more limited in capability and effectiveness than the modern, digital, three component DHEM instrumentation used today, particularly in the detection of highly conductive massive nickel sulphides. A detailed review of the near-mine and brownfield DHEM opportunities has highlighted a number of untested existing anomalies. The application of three-component DHEM will aim to refine the known, untested EM anomalies, and to identify potential new high grade mineralisation along the near-mine corridor. Drilling activities aimed at cleaning out old drill holes and assisting with the DHEM surveys have already commenced and will continue into the new financial year.

Western Gawler Nickel-Copper Joint Venture (WSA 100% and earning up to 90% interest)

In October 2014, the Company executed separate Farm-in and Joint Venture Agreements with Gunson Resources Limited (now Strandline Resources Limited) and Monax Mining Limited in a number of key tenements within the Western Gawler region of South Australia. Since that time the Company has gained a 100% interest in the Monax ground and continues with the staged program to acquire up to 90% in the Strandline tenements. The Company also continued to consolidate its land holding in the Western Gawler Project area with the addition of exploration license EL 5688. This license forms one of two new additions (ELA 2014/252 is still under application) that cover prospective ground on the western margin of the Fowler Domain, to the west of the initial project area. With a combined area of approximately 4,450km^2 the Company holds a strategic position in the Western Gawler region, an area of increasing interest for gold and base-metal exploration.

The Western Gawler region is known to host mafic-ultramafic intrusive rocks and determining the extent, exact age and prospectivity of these is the primary objective of the exploration activities. The results from the initial phases of exploration are very encouraging, with the identification of olivine gabbro-norite intrusive rocks and geochemical anomalism in a number of areas. The results confirm the initial observations regarding the prospectivity of the Western Gawler region for intrusive related nickel, copper and gold mineralisation. These types of mafic intrusives are well known for hosting significant nickel and copper orebodies in western and central Australia, including Nova-Bollinger and Nebo-Babel.

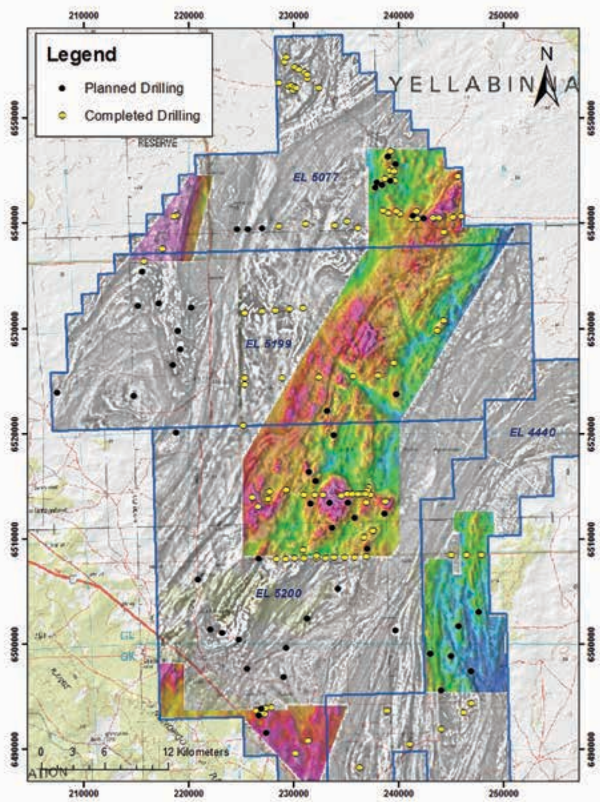
Important milestones and key highlights have been achieved in the project. These include;

- Drilling of 115 holes for 10,430.6m;
- Funding ($100,000) by the South Australian Government as part of the PACE Discovery Drilling 2015;
- Prospective mafic/ultramafic intrusions have been identified in multiple areas;
- Potential for other metal types e.g. gold and copper mineralisation highlighted,
- Systematic gravity surveys commenced and in progress;
- Completion of targeted Electro Magnetic (EM) in key areas; and
- Follow-up drilling in progress.

A comprehensive review of the geochemical data collected from the initial extensive broad scale drilling (RC/air-core) program completed to date was undertaken. The anomalous element concentrations identified from the drill assays are (as expected) below economic levels but have been found to form coherent trends, both chemically and spatially. As the drilling is widely spaced, these results are highly encouraging for the project and further follow-up exploration has commenced. Importantly, new areas of interest have been identified by the latest review, and these will also be targeted in the current exploration program.

Detailed surface gravity surveys have also commenced, with the aim of generating new targets, and adding to the current project wide-geophysical datasets. The gravity surveys, in conjunction with detailed magnetics, can help delineate features that may represent mafic/ultramafic intrusions. The initial surveys have been designed to cover key areas known to host prospective intrusions, and to extend the geological interpretation into unexplored areas. A number of features have already been identified and ranked for follow-up, and these are being tested, along with a number of other targets, in the current drilling program. The current target and reconnaissance drilling is shown on Coordinate System - GDA 1994 MGAZ53. Any positive results will be followed up with further RC and diamond drilling, and geophysics.

Western Areas continues to build its relationships with the traditional owners and the Far West Coast Aboriginal Corporation (FWCAC), with heritage clearance surveys being completed in support of the drilling programs. The FWCAC has also been supporting the exploration program by assisting with rehabilitation activities in the Yellabinna Regional Reserve. Ongoing dialogue with the Aboriginal Land Council continues to facilitate sustained exploration into the existing and new areas of the region.



Western Gawler Project - Planned and completed drilling overlaying Gravity (Coloured residual) and Magnetics (TMI RTP) imagery

Coordinate System - GDA 1994 MGAZ53

Forrestania Project (100% WSA)

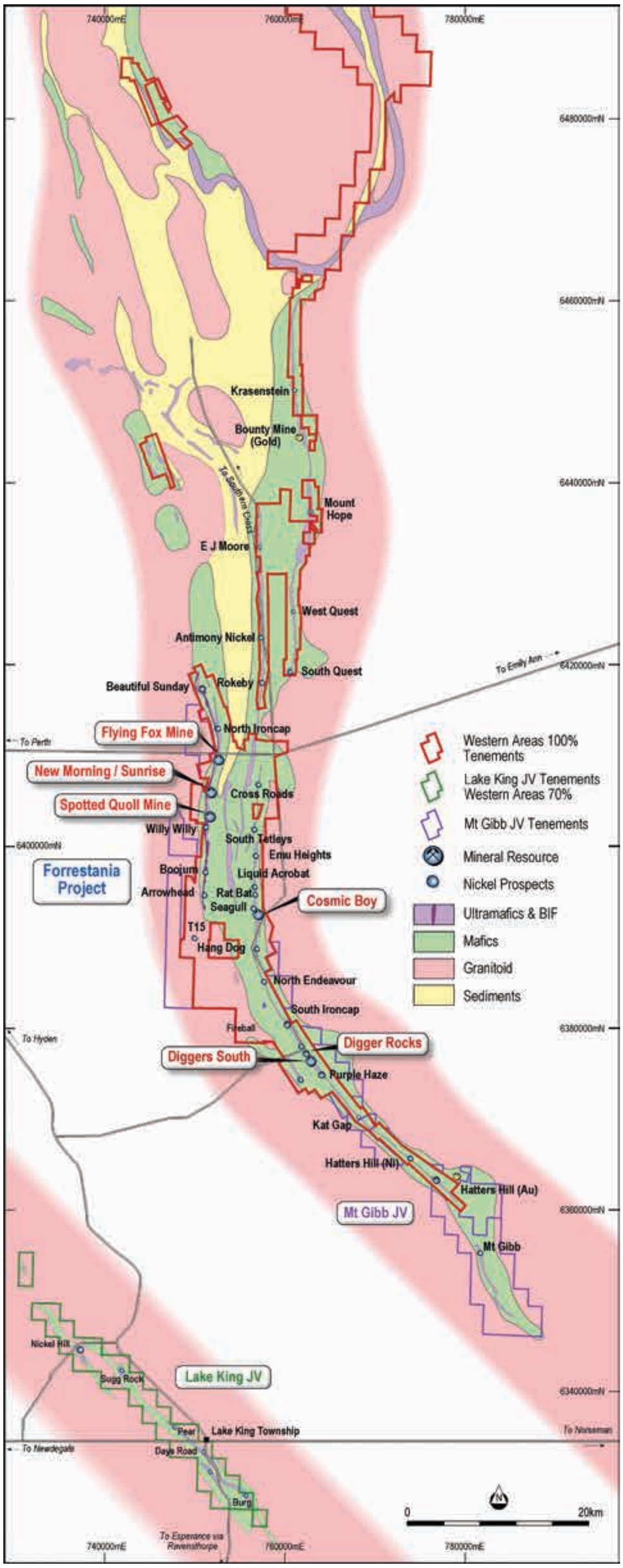
During the reporting period, considerable effort went into assessing the Eastern Ultramafic Belt (EUB). Exploration activities aimed at locating economic nickel sulphide mineralisation were undertaken at Mount Hope, Northern Estates, Parker Dome, Cosmic Boy, Cosmic Boy South (Hang Dog), South Ironcap, West Quest and South Quest areas/prospects. Whilst the work was successful in locating cumulate ultramafic rocks, intersecting the basal contact, and locating disseminated lower grade nickel sulphide mineralisation, no significant massive nickel sulphides were intersected in this work. Work also continued on the Western Ultramafic Belt (WUB) particularly south of the Spotted Quoll mine.

A technical review to evaluate the lithium potential at Western Areas' Forrestania tenements was commenced with positive results generated from re-sampling previously drilled holes at the South Ironcap prospect.

The prospectivity of the Mt Hope area, located approximately 30km northeast of Flying Fox, was assessed during the year. The area contains a significant volume of cumulate ultramafic rocks (known as the Mt Hope Dunite) over a strike length of 8km. Previous work identified the upper cumulate contact as being prospective. Hole MHD036, drilled during the FY15 September quarter, returned 12m @1.1% nickel from 529m close to the upper contact at 556m depth. Despite encouraging results, further drilling of the upper contact did not intersect economic nickel sulphides. Geological logging indicates the contact is often faulted and consequently is not always preserved. The data from the recent holes was integrated with DHEM surveys without further targets being generated.

The Company commenced drill testing anomalous responses from the previously completed EM ground geophysical surveys over the approximate 10km strike length of ultramafic stratigraphy in the West Quest and South Quest prospect areas. Drilling also targeted a number of stratigraphic/geochemical targets coincident favourable basal ultramafic stratigraphy in this limited drilled section of the EUB. A total of 13 RC/DDH holes were drilled during the reporting period for a total of 2,369m. Thick ultramafic sequences were encountered in several holes in the central portion of the drilling accompanied by localised intervals of disseminated sulphide. Follow up drilling failed to enhance the level of nickel mineralisation intersected in the first phase of drilling.

In addition, work was carried out on the WUB, south of Spotted Quoll mine, where six diamond holes were drilled and subsequently assessed with DHEM. Whilst the results from the DHEM did not return any significant conductors associated with the logged basal ultramafic contacts, a subsequent hole BD059 intersected 2.08m @ 1.16% Ni from 578m. A thorough reinterpretation of the geology and structures across this portion of the Western Ultramafic Belt, with the overall aim of understanding how it relates to the Spotted Quoll mineralised system further to the north is in progress.



Plan showing Forrestania tenements; mines and key prospects – to be updated

During the later portion of FY16, a technical review to evaluate the lithium potential at Western Areas' Forrestania tenements and pursue options that will maximise the value of these assets to the Company was commenced.

The key results from the above work indicates:

1. The Forrestania tenement package does contain strongly Li2O mineralised (spodumene) pegmatites;
2. There are numerous occurrences of granites and pegmatites throughout the Forrestania geological succession, typically flat lying or very shallowly dipping, with a flat or arcuate strike;
3. Lithium bearing pegmatites were only returned from the EUB;
4. Western Areas holds a considerable extent of the EUB (some 170km strike length) under licence;
5. The true distribution of the pegmatites is currently difficult to assess as the information relies heavily on the drilling from historic nickel exploration which is biased towards the ultramafic stratigraphy; and
6. There are large parts of the tenement holding that have not been assessed with regard to lithium.

Sampling of some existing holes from the South Ironcap area returned numerous intercepts of pegmatites containing grades >1% Li2O (see table below). The assay results confirm that the southern deeper portions of the pegmatite, with wide widths (30-50m) over a strike length of at least 900m, at a depth of 150-200m below surface. Importantly assay results reported in the June quarter indicate the pegmatites are shallowing to the north. This northern area will be drill tested in the coming year to confirm the nature and extent of the shallower pegmatites and potential for further lithium mineralisation.

Whilst the initial results from the lithium potential evaluation are very encouraging, further work (geological compilation, re-sampling of existing drilling and new drilling) is being undertaken to assess and realise the true potential for economic lithium deposits within the tenement holding.

HOLE ID	Easting	Northing	RL	EOH(m)	Type	DIP	Azimuth	Width (m)	Li20 %	From (m)
SID014	760432	6380128	429	281.2	DD	-58	62	50.6	0.95	176.8
							including	9	2.58	202
SID014	760431.7	6380128	429.3	281.2	DD	-58	90	21.5	1.61	250.3
SID018	760671.4	6379838	418.3	450.7	DD	-70	86	23.6	1.36	178.4
SID020A	760881.4	6379526	409.1	285.0	DD	-55	85	33.8	1.22	215.0
SID023	760719.2	6379711	420.9	351.3	DD	-55	86	21.9	1.48	269.5
SID025	760349.8	6380080	432.2	461.9	DD	-63	89	6.7	1.82	183.5
SID029	760348.1	6380079	432.2	528.7	DD	-72	91	5.7	1.43	177.5
SID032	760242	6380165	431.2	469.0	DD	-65	89	9.37	1.14	118.23

Lake King Joint Venture (WSA 70%)

The Lake King Joint Venture tenements cover a 40km long nickel prospective belt located approximately 70km south of Forrestania. Work on the project area during the last 12 months concentrated on the ultramafic rocks along the prospective Nickel Hill trend.

Black Oak (formally Southern Cross Goldfields) Joint Venture (WSA 70% interest)

Western Areas has acquired 70% of Southern Cross Goldfields Limited (Black Oak Ltd- BOK) nickel rights across much of its 3,300km^2 tenement portfolio in the Marda and Southern Cross regions of Western Australia. The BOK tenement package covers the north western portion of the Southern Cross-Bullfinch Greenstone Belt within the 'Central Yilgarn Nickel Province'. The Company continues to review the prospectivity of the Joint Venture tenure, particularly those tenements adjacent to the Forrestania project.

Ore reserve/mineral resource statement

Ore reserves at the 30th of June 2016 were the following:

30/06/2016					
Deposit	Tonnes	Grade Ni%	Ni Tns	JORC Classification	JORC Code
Flying Fox Area	1,200,080	4.0	48,280	Probable Ore Reserves	2012
Spotted Quoll	236,950	4.2	9,940	Proved Ore Reserves	2012
	2,179,880	4.0	87,090	Probable Ore Reserves	2012
Digger South	2,016,000	1.4	28,950	Probable Ore Reserves	2004
Diggers Rock	93,000	2.0	1,850	Probable Ore Reserves	2004
Total Ore Reserves	5,725,910	3.2	176,110		

Ore reserves at the 30th of June 2015 were the following:

30/06/2015					
Deposit	Tonnes	Grade Ni%	Ni Tns	JORC Classification	JORC Code
Flying Fox Area	1,525,506	4.2	64,146	Probable Ore Reserves	2012
Spotted Quoll	338,860	4.4	14,961	Proved Ore Reserves	2012
	2,366,413	4.0	95,186	Probable Ore Reserves	2012
Digger South	2,016,000	1.4	28,950	Probable Ore Reserves	2004
Diggers Rock	93,000	2.0	1,850	Probable Ore Reserves	2004
Total Ore Reserves	6,339,779	3.2	205,093		

During Financial Year 2016, the planned mined volumes were extracted and new data collected from Spotted Quoll and Flying Fox mines. The combination of planned depletion of the assets, as per budgeted targets, and the mineral resources models built from interpretation of new data resulted in the estimation for Financial Year 2017.

Governance and Internal Controls

Western Areas geology and mining departments have implemented a set of rules and working practices to control the mineral resource and ore reserves estimation and reconciliation process, as well as the quality of the data used.

The Mineral Resources and Ore Reserves are reported in accordance with the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code) 2012 Edition. Mineral Resources are quoted inclusive of Ore Reserves. Competent Persons named are Members of the Australasian Institute of Mining and Metallurgy and qualify as Competent Persons as defined in the JORC Code.

The Western Areas risk management program includes assessment of the risks associated with the estimations of mineral resources and ore reserves and the controls in place to ensure that robust resource and reserve calculations are reported. The risk management processes measures the likelihood of errors or misstatement and monitors the controls in place that mitigate this outcome.

	Tonnes	Grade Ni%	Ni Tonnes	Classification	JORC Code
Ore Reserves					
1. Flying Fox Area	1,200,080	4.0	48,280	Probable Ore Reserve	2012
2. Spotted Quoll Area	236,950	4.2	9,940	Proved Ore Reserve	2012
	2,179,880	4.0	87,090	Probable Ore Reserve	2012
3. Diggers Area					
Digger South	2,016,000	1.4	28,950	Probable Ore Reserve	2004
Digger Rocks	93,000	2.0	1,850	Probable Ore Reserve	2004
Total Forrestania Ore Reserve	5,725,910	3.2	176,110		
Mineral Resources					
1. Flying Fox Area					
T1 South	64,550	4.0	2,560	Indicated Mineral Resource	2004
	35,200	4.9	1,720	Inferred Mineral Resource	2004
T1 North	55,779	5.9	3,290	Indicated Mineral Resource	2012
OTZ Sth Massive Zone	20,560	4.1	843	Inferred Mineral Resource	2012
OTZ Sth Massive Zone	162,338	4.0	6,574	Indicated Mineral Resource	2012
T4 Massive Zone	154,748	5.8	8,921	Indicated Mineral Resource	2012
T5 Massive Zone + Pegs	1,226,930	5.7	70,476	Indicated Mineral Resource	2012
T6 Massive Zone	47,840	5.3	2,525	Indicated Mineral Resource	2012
T7 Massive Zone	256,977	2.1	5,303	Inferred Mineral Resource	2012
Total High Grade	2,024,922	5.0	102,212		
T5 Flying Fox Disseminated Zone	197,200	0.8	1,590	Indicated Mineral Resource	2004
	357,800	1.0	3,460	Inferred Mineral Resource	2004
T5 Lounge Lizard Disseminated Zone	4,428,000	0.8	36,000	Indicated Mineral Resource	2004
Total Disseminated Flying Fox/Lounge Lizard	4,983,000	0.8	41,050		
Total FF/LL	7,007,922	2.9	143,262		
New Morning / Daybreak					
Massive Zone	321,800	3.7	12,010	Indicated Mineral Resource	2004
	93,100	3.5	3,260	Inferred Mineral Resource	2004
Disseminated Zone	1,069,800	0.9	9,650	Indicated Mineral Resource	2004
	659,200	0.9	5,780	Inferred Mineral Resource	2004
Total New Morning / Daybreak	2,143,900	1.4	30,700		
2. Spotted Quoll Area					
Spotted Quoll	616,537	5.7	35,370	Measured Mineral Resource	2012
	1,440,082	5.1	72,866	Indicated Mineral Resource	2012
	212,089	5.4	11,520	Inferred Mineral Resource	2012
Total Spotted Quoll	2,268,708	5.3	119,756		
Beautiful Sunday	480,000	1.4	6,720	Indicated Mineral Resource	2004
Total Western Belt	11,900,530	2.5	300,438		
3. Cosmic Boy Area					
Cosmic Boy	180,900	2.8	5,050	Indicated Mineral Resource	2004
Seagull	195,000	2.0	3,900	Indicated Mineral Resource	2004
Total Cosmic Boy Area	375,900	2.4	8,950		
4. Diggers Area					
Diggers South - Core	3,000,000	1.5	44,700	Indicated Mineral Resource	2004
Diggers South - Halo	4,800,000	0.7	35,600	Indicated Mineral Resource	2004
Digger Rocks - Core	54,900	3.7	2,030	Indicated Mineral Resource	2004
Digger Rocks - Core	172,300	1.1	1,850	Inferred Mineral Resource	2004
Digger Rocks - Halo	1,441,000	0.7	10,350	Inferred Mineral Resource	2004
Purple Haze	560,000	0.9	5,040	Indicated Mineral Resource	2004
Total Diggers Area	10,028,200	1.0	99,570		
Total Forrestania Mineral Resource	22,304,630	1.8	408,958		
5. Cosmos Area					
AM5	479,914	2.6	12,430	Indicated Mineral Resource	2012
	26,922	1.9	509	Inferred Mineral Resource	2012
AM6	1,704,548	2.7	45,171	Indicated Mineral Resource	2012
	329,443	2.5	8,203	Inferred Mineral Resource	2012
Odysseus	3,884,857	2.2	84,301	Indicated Mineral Resource	2012
	169,165	2.1	3,603	Inferred Mineral Resource	2012
Odysseus North - Disseminated	1,631,495	2.8	45,519	Indicated Mineral Resource	2012
	1,586,175	2.2	35,054	Inferred Mineral Resource	2012
Odysseus North - Massive	48,043	11.6	5,563	Indicated Mineral Resource	2012
Total Cosmos Area	9,860,562	2.4	240,353		
6. Mt Goode Area					
Mt Goode	13,563,000	0.8	105,791	Measured Mineral Resource	2012
Diggers South - Halo	27,363,000	0.6	158,705	Indicated Mineral Resource	2012
Digger Rocks - Core	12,009,000	0.5	62,447	Inferred Mineral Resource	2012
Total Mt Goode Area	52,935,000	0.6	326,943		
Total Cosmos Mineral Resource	62,795,562	0.9	567,296		
TOTAL WESTERN AREAS MINERAL RESOURCE	85,100,192	1.1	976,254		

Directors Report

The Directors of Western Areas Limited submit herewith the financial report of the Company for the financial year ended 30 June 2016. Unless noted, all amounts in this report refer to Australian dollars. In order to comply with the provisions of the Corporations Act 2001, the Directors' report follows:

Information about the Directors

The following persons were directors of Western Areas Ltd for the entire financial year and up to the date of this report unless otherwise stated.

Ian Macliver *Non-Executive Independent Chairman*	Mr Macliver is a Chartered Accountant with many years experience as a senior executive and Director of both resource and industrial companies, with particular responsibility for capital raising and other corporate development initiatives. Mr Macliver is Managing Director of Grange Consulting Group Pty Limited which provides specialist corporate advisory services to both listed and unlisted companies. Mr Macliver is a member of the Audit and Risk, Treasury, Remuneration and Nomination Committee.
Daniel Lougher *Managing Director & CEO*	Mr Lougher is a qualified Mining Engineer with over 30 years experience in all facets of mining project exploration, feasibility, development and operational activities in Australia and overseas. Mr Lougher is a member of the Australasian Institute of Mining & Metallurgy. Mr Lougher serves on the Nomination Committee.
David Southam *Executive Director*	Mr Southam is a Certified Practicing Accountant with over 20 years experience in accounting, banking and finance across the resources and industrial sectors. Mr Southam has been responsible for completing significant capital management initiatives and commodity offtake contracts with large domestic and international companies.
Richard Yeates *Non-Executive & Independent Director*	Mr Yeates is a Geologist with more than 30 years mining industry experience in various roles and has significant experience across a wide range of resource projects around the world. He is familiar with the ASX regulatory environments and has had exposure to international resource funds and financial institutions. Mr Yeates is Chairman of the Remuneration and Nomination Committee.
Craig Readhead *Non-Executive & Independent Director*	Mr Readhead is a lawyer with over 30 years legal and corporate advisory experience with specialisation in the resources sector, including the implementation of large scale mining projects both in Australia and overseas. Mr Readhead is a former president of the Australian Mining and Petroleum Law Association and until recently was a partner of specialist mining and corporate law firm, Allion Legal. Mr Readhead is a member of the WA Council of the Australian Institute of Company Directors. Mr Readhead is Chairman of the Treasury and Audit & Risk Management Committees.
Tim Netscher *Non-Executive & Independent Director*	Mr Netscher has significant broad-based international resources experience at senior levels, in roles spanning marketing, operations management, project management and business development in Australia and Internationally. Mr Netscher has considerable experience in the nickel industry with senior executive roles at Impala Platinum Ltd, PT Inco and QNI Pty Ltd. Mr Netscher is a Chartered Engineer and holds a BSc in Chemical Engineering, Bachelor of Commerce, a MBA, is a fellow of the Institution of Chemical Engineers and is a member of the Australian Institute of Company Directors. Mr Netscher is a member of the Treasury, Audit & Risk and Remuneration Committees.
Julian Hanna *Non-Executive Director*	Mr Hanna resigned as a Director of Western as at 15 June 2016.

Directorships of Other Listed Companies

Name	Company	Period of Directorship
I Macliver	Otto Energy Ltd	Since January 2004
	Rent.com.au Ltd *(Ceased)*	September 2010 – June 2015
	Range Resources Ltd *(Ceased)*	June 2014 – August 2014
	JCurve Solutions Limited *(Ceased)*	July 2000 – October 2013
J Hanna	MOD Resources Ltd	Since January 2013
	Mustang Minerals Corp *(Ceased)*	December 2006 – February 2015
D Lougher	FinnAust Mining Plc	December 2013 – March 2016
	Mustang Minerals Corp *(Ceased)*	January 2011 – October 2015
D Southam	Troy Resources Ltd	Since July 2016
	Sundance Resources Ltd *(Ceased)*	September 2013 – January 2016
R Yeates	Middle Island Resources Ltd	Since March 2010
	Atherton Resources Limited *(Ceased)*	October 2014 – November 2015
C Readhead	Beadell Resources Ltd	Since April 2010
	Eastern Goldfields Ltd - (Formerly Swan Gold Mining Ltd)	Since March 2013
	Redbank Copper Ltd	Since April 2013
	General Mining Corporation Ltd *(Ceased)*	August 2007 – October 2015
	Heron Resources Ltd *(Ceased)*	January 2000 – April 2015
	Galaxy Resources Ltd *(Ceased)*	June 2006 - November 2013
T Netscher	St Barbara Ltd	Since February 2014
	Gold Road Resources Ltd	Since September 2014
	Toro Energy Ltd *(Ceased)*	October 2015 – August 2016
	Deep Yellow Ltd *(Ceased)*	January 2013 – December 2015
	Aquila Resources Ltd *(Ceased)*	November 2013 – July 2014 (*)
	Gindalbie Metals Ltd *(Ceased)*	April 2011 – October 2013

(*) Date co-insides with de-listing from the Australian Stock Exchange.

Interests in Shares and Options of the Company

As at 30 June 2016, the interest of the Directors or associates of the Directors in the shares and options of the Company are:

Name	Ordinary Shares	Performance Rights (i)
I Macliver	36,448	-
D Lougher	246,178	970,640
J Hanna (ii)	400,091	-
D Southam	128,135	546,093
R Yeates	10,000	-
C Readhead	-	-
T Netscher	7,000	-

(i) None of the performance rights had vested at 30 June 2016.
(ii) Shareholding of Mr Hanna as at 15 June 2016.

All equity transactions with Directors and Executives, other than those arising from the employee share scheme, have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

Share Options

No options were issued, cancelled or remained outstanding during the financial year.

Company Secretary

Mr J Belladonna is a Certified Practicing Accountant and has been employed at Western Areas Limited since 2005, originally as Financial Controller and then as the Company Secretary and Chief Financial Officer. In his time at the Company he has been intimately involved in the accounting, debt financing, corporate governance, capital raising and financial initiatives at the Company. Mr Belladonna has over 15 years experience in the resources industry including listed gold and base metal companies in a range of management positions.

Indemnification of Officers and Directors

During the financial year, the parent entity paid a premium under a contract insuring all Directors and Officers of the Company against liability incurred in that capacity. Disclosure of the nature of liabilities insured and the premium is subject to a confidentiality clause under the contract of insurance.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company against a liability incurred as such an officer or auditor.

Directors' Benefits

No Directors of the Consolidated Entity have, since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by Directors shown on page 41 of the Directors Report) by reason of a contract made by the parent entity or a related body corporate with the director or with any entity in which the director has a substantial financial interest, with the exception of benefits that may be deemed to have arisen in relation to the transactions entered into in the ordinary course of business as disclosed in Note 29 to the accounts.

Directors' Meetings

The following table sets out the number of meetings of the parent entity's Directors and meetings of the sub-committees of the Board held during the year ended 30 June 2016 and the number of meetings attended by each Director.

	Directors Meetings	Audit & Risk Mgmt	Remuneration	Nomination	Treasury
Meetings held :	13	2	2	1	1
Meetings attended :					
I Macliver	13	2	2	1	1
D Lougher	13	-	-	1	-
D Southam	13	-	-	-	-
J Hanna (i)	12	-	-	-	-
R Yeates	13	-	2	1	-
C Readhead	13	2	-	-	1
T Netscher	13	2	2	-	1

(i) Mr Hanna resigned from the Board on 15 June 2016, attending all Board meetings until that date.

Remuneration of Directors and Senior Management

Information about the remuneration of directors and senior management is set out in the remuneration report of this Directors' Report on page 35.

Performance Rights Granted to Directors and Senior Management

Performance Rights granted to directors and senior management during the financial year ended 30 June 2016 is set out in the Remuneration Report of this Directors' Report on page 42.

Proceedings on behalf of the Company

No person has applied for leave of the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Principal Activities

The principal activities of the Consolidated Entity during the year consisted of mining, processing and sale of nickel sulphide concentrate, the continued assessment of development feasibility of the high grade nickel mines and the exploration for nickel sulphides, other base metals and platinum group metals.

Review of Operations

Operational metrics

The Company provides detailed operating reports at the end of every quarter outlining quarterly and year to date production and sales statistics, some of which are shown below.

Financial Year - Physical Summary			
		2015/16	2014/15
Tonnes Mined	Tns	590,246	540,268
Nickel Grade (average)	%	4.7%	4.9%
Tonnes Milled	Tns	616,279	609,727
Milled Grade (average)	%	4.5%	4.7%
Recovery	%	90%	90%
Nickel in Concentrate	Tns	25,009	25,801
Nickel Sales in Concentrate	Tns	24,793	26,036

Total mine ore production increased year on year due to the Spotted Quoll mine reaching full production allowing mining rate optimisation for delivery of a consistent and reliable ore feed blend to the concentrator, while maintaining appropriate stockpile levels.

The nickel concentrator processed a record 616,279 ore tonnes compared to the 609,727 ore tonnes for the previous financial year, with the variance attributed to improved mill throughput rates and increased plant availability.

The Company continued its exceptional safety performance across the group maintaining a lost time injury frequency rate of zero for the financial year. In addition, the continued high level of environmental management has resulted in no significant environmental incidences occurring throughout the year.

Financial Metrics

Income Statement

Full Financial Year – Earnings Results Summary			
	2015/16	2014/15	Change
	$M	$M	$M
Revenue	209.1	312.7	(103.6)
Gross (Loss)/Profit	(5.7)	76.2	(81.9)
(LBIT)/EBIT	(36.0)	63.5	(99.5)
(Loss)/Profit Before Tax	(38.5)	48.1	(86.6)
Net (Loss)/Profit After Tax	(29.8)	35.0	(64.8)

Consolidated net loss after tax (NLAT) for the group was $29.8 million, a decrease of $64.8 million from the results reported in the previous financial year. The overriding factor impacting the change in earnings was the substantial decline in the nickel price.

Accordingly, consolidated revenue for the year was down $103.6 million with the main contributor being the 28% fall in the average realised nickel price compared to the prior year. The average realised nickel price for the year decreased from US$6.58/lb (A$7.87) in the prior financial year to US$4.14/lb (A$5.69) for the year ended 30 June 2016. The Company continued to have an unrelenting focus on key controllable items, being cost management and productivity improvements. This focus resulted in cost of sales reducing by $21.7 million for the year, with the bulk of these savings embedded into future periods.

Other pre-tax non-cash items which impacted NLAT of $29.8 million for the year included:

- Depreciation charges of $17.0 million;
- Amortisation charges of $45.2 million;
- Write-off of non-current assets of $7.8 and
- Impairment losses of $7.0 million.

These non-cash items amounted to $77.0 million.

Statement of Financial Position

Full Financial Year - Balance Sheet Summary			
	2015/16	2014/15	Change
	$M	$M	$M
Cash at bank	75.7	195.4	(119.7)
Current Assets	119.9	234.7	(114.8)
Total Assets	489.2	597.6	(108.4)
Current Liabilities	26.3	168.6	(142.3)
Total Liabilities	55.2	196.5	(141.3)
Net Equity	434.0	401.1	32.9

Cash at bank decreased by $119.7 million to finish the year at $75.7 million. This was mainly due to the scheduled repayment of the $125.0 million of convertible bonds early in the financial year, the completion of the Cosmos acquisition payments of $24.2 million and lower receipts due to record low nickel prices. This was partially offset by a $75.0 million capital raising and share purchase plan completed in April 2016.

Total assets at reporting date were $489.2 million, representing a decrease of $108.4 million from the prior year, primarily driven by the decrease in cash of $119.7 million. Mine development decreased by $16.9 million as a result of amortisation charges of $43.7 million being offset by new development of $27.8 million. Capitalised exploration and evaluation expenditure increased by $19.4 million, the increase due to recognition of the newly acquired Cosmos exploration assets valued at $27.1 million, offset by the deconsolidation of $11.5 million FinnAust exploration assets and $7.0 million impairment provision raised against the FinnAust exploration assets. Exploration expenditure for the year of $12.9 million related to the Company's ongoing investment in exploration at Forrestania and the other regional projects. Inventories decreased by $8.6 million mainly as a result of a decrease in ore stockpiles.

Total liabilities of $55.2 million represented a decrease of $141.3 million from the prior year, due to the repayment of the Company's final convertible bonds and a decrease in income tax liabilities.

Total equity attributable to the shareholders increased by $32.9 million to $434.0 million, primarily due to a capital raising of $75.0 million, offset by the NLAT of $29.8 million.

Statement of Cash Flows

Full Financial Year – Cashflow Summary			
	2015/16	2014/15	Change
	$M	$M	$M
Net Operating Cashflow	15.6	148.5	(132.9)
Net Investing Cashflow	(72.4)	(71.9)	(0.5)
Net Financing Cashflow	(62.8)	(111.8)	49.0
Net Cashflow	(119.6)	(35.2)	(84.4)

As outlined earlier in the Directors Report, the 28% reduction in the nickel price for the year had a significant impact on the cash generation of the Company. Notwithstanding, decisive action was taken throughout the year which included a significant reduction in operating costs and the deferral of mine development, capital projects and exploration expenditure.

In respect of capital and exploration expenditure, the Company reduced its spend by $22.0 million versus the prior financial year with a significant portion of this saving generated in the second half.

Furthermore the Company became debt free for the first time in many years following the repayment of $125.0 million in convertible bonds in July. The flow on impact of this debt reduction was a significant fall in interest payments of $6.8 million.

Working capital movements included a higher debtors balance at the end of financial year mainly reflected timing differences with June sales.

Material Business Risks

Strategic Long Term Economic Risks

- Exploration

  In order to maintain and enhance our economic base of mineral resources, the Company continues to invest in exploration. It must be recognised that investing in exploration does not guarantee that additional mineral resources will be discovered. However exploration is essential in order to sustain ore reserves at the Forrestania Nickel Operations and establish new profit generating projects. Strategically the Company continues to invest in the application of modern exploration techniques within proven nickel regions such as the Forrestania Nickel Operations ("FNO"), the Cosmos Nickel Complex ("Cosmos") and the highly prospective green field West Gawler Project.

- Inorganic Growth & Investment

  Western Areas' strategy includes investment in business development activities (joint ventures, mergers, acquisitions and innovation) to enhance the current project portfolio. Western Areas is debt free and continues to generate positive cash flows from FNO. With any transaction there is a risk that through the lifecycle of the project, the investment does not deliver the forecast returns to the Company. Any material investment is subject to strict governance and due diligence processes to ensure the opportunities and risks are understood and managed in a way that provides the greatest level of return to shareholders.

- Metal & Currency Markets

  As a mining company, Western Areas is exposed to currency and nickel price fluctuations. Over the past twelve months the Company has managed to maintain a financially robust business in the face of historically low nickel prices. Being debt free, and having high grade operations, provides a significant level of resilience against adverse market conditions. The Company has a number of strategies available to smooth out the effects of a low Australian dollar nickel price, including hedging when market conditions permit.

Operating Risks

- Business Interruption

  A significant disruption to FNO could have a significant adverse effect on Western Areas revenue from operating activities. FNO consists of the Spotted Quoll and Flying Fox underground mines, the Cosmic Boy concentrator and fully developed supporting infrastructure. These assets are all within the same geographic area, and are our only revenue generating assets at this time. Therefore, a significant failure event at one of these assets has the potential to substantially reduce nickel production and consequent revenue from nickel sales. Western Areas has well established risk and business continuity management practices that mitigate and respond to known business interruption risks. This resilience extends throughout our supply chain to the point of delivery to customers.

- Offtake Parties

  Western Areas relies on nickel offtake customers to purchase and financially settle on nickel concentrate deliveries. The financial failure of one or more of our offtake customers could result in delayed payments receipts or new/revised offtake contract terms. Western Areas conducts due diligence prior to entering into nickel offtake contracts and maintains strong relationships with its customers. The Company stays abreast of the nickel concentrate market, while also monitoring alternative and emerging markets for nickel products.

- Counter Parties

  Western Areas relies on a number of contractor entities to support exploration and production activities. The financial failure of a key contractor could result in interruptions to production plans, and affect the operating costs. Western Areas conducts due diligence prior to awarding contracts, and continues to actively manage and monitor the activities of our contractors and suppliers. In addition, through the Company's Risk Management Framework there are contingency plans in place for such events.

Sustainability Risks

- Safety

  The safety and well-being of people undertaking activities on behalf of the Company is a key priority. There are a number of inherent hazards associated with exploration, mining, mineral processing and logistics that require ongoing management and assurance to ensure our safety performance is in line with the high standards expected. Western Areas continues to demonstrate excellence in safety performance and continues to work with our contractors and partners to ensure Western Areas is a safe and rewarding place to work.

- License to Operate

  The Company has a number of statutory and regulatory obligations to fulfil including corporate, financial, heritage, health and safety, environmental, land management, tenure, and human resources. Western Areas readily accepts that fulfilling compliance obligations is a necessary and important part of maintaining its license to operate. Compliance management is built into planning processes and day to day activities, and is an accepted part of Western Areas culture.

Subsequent Events

Other than matters detailed above, there have been no subsequent events after 30 June 2016 which have a material effect on the financial statements for the year ended 30 June 2016.

Dividends Paid or Recommended

No dividends have been declared or paid in relation to the 30 June 2016 financial year.

In respect of the financial year ended 30 June 2015, the Board declared and paid a final 4 cent, fully franked dividend.

Remuneration Report (Audited)

This report outlines the remuneration arrangements in place for Non-Executive Directors, Executives and other Key Management Personnel of Western Areas Ltd. There has been no material change to the remuneration structures or incentive programmes during the 2016 financial year (FY16).

Key 2016 financial year changes

- 10% reduction in all Director and Key Management Personnel base salaries effective 1 March 2016 in recognition of the low nickel price environment. This returns base salary levels to pre-financial year 2012 equivalents.
- Base salaries have been frozen for the 2017 financial year (FY17). There has only been one base salary increase in the last 5 years.
- Non-executive director remuneration frozen at the reduced levels.
- Reduction in number of Non-Executive Directors resulting in a further director fee reduction.

The report is comprised of the following key sections:

- Section A: Who this report covers
- Section B: Remuneration governance and philosophy
- Section C: 2015 Annual General Meeting voting
- Section D: Use of remuneration consultants
- Section E: Executive remuneration framework
- Section F: Non-executive director remuneration
- Section G: Service contracts
- Section H: Link between performance and remuneration outcomes
- Section I: Details of remuneration

SECTION A: WHO THIS REPORT COVERS

The following persons acted as directors of the Company during the financial year:

Mr I Macliver	Independent Non-Executive Chairman
Mr D Lougher	Managing Director
Mr D Southam	Executive Director
Mr R Yeates	Independent Non-Executive Director
Mr C Readhead	Independent Non-Executive Director
Mr T Netscher	Independent Non-Executive Director
Mr J Hanna	Non-Executive Director (Resigned - 15 June 2016)

Other Key Management Personnel ('KMP') of the Company during the financial year were:

Mr J Belladonna	Chief Financial Officer & Company Secretary
Mr W Jones	General Manager Operations

SECTION B: REMUNERATION GOVERNANCE AND PHILOSOPHY

Remuneration Committee

The Remuneration Committee is responsible for assisting the Board in fulfilling its responsibilities relating to the remuneration of Directors, the Managing Director and KMP, remuneration practices, strategies and disclosures generally.

Remuneration levels and other terms of employment for the Directors and the senior management team are reviewed at least annually by the Remuneration Committee, having regard to performance against goals set each year, qualifications and experience, relevant market conditions and independent remuneration benchmarking reports.

The Remuneration Committee assesses the appropriateness of remuneration levels to ensure the Company is able to attract and retain high quality Executives. The Remuneration Committee utilises independent salary reports to assist in this regard.

Remuneration Philosophy

The Company recognises that it operates in a global environment and to prosper in such an environment, it must attract, motivate and retain personnel of the highest calibre.

The principles supporting the Company's remuneration policy are that:

- Reward reflects the competitive global market in which we operate;
- Individual reward is based on performance across a range of disciplines that apply to delivering results and executing strategies for the Company;
- Executive remuneration is linked to the creation of shareholder value; and
- Remuneration arrangements are equitable, fair and facilitate the deployment of senior management across the Company.

SECTION C: 2015 ANNUAL GENERAL MEETING VOTING

Western Areas received 97% "yes" votes for the Remuneration Report resolution at the 2015 Annual General Meeting and remuneration practices have remained consistent with the prior year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices. However, various advisory groups and associations publish critiques and opinions on a subscription basis.

SECTION D: USE OF REMUNERATION CONSULTANTS

Western Areas engaged PwC as Remuneration Consultants during FY16 to provide assistance with documentation management and ongoing market trend monitoring and development in relation to the Long Term Incentive ("LTI") plan, however no 'remuneration recommendations' as defined in the Corporation Act 2001 were made or supplied by PwC.

SECTION E: EXECUTIVE REMUNERATION FRAMEWORK

The Company aims to reward Executives with a level and mix of remuneration commensurate with their position, experience and responsibilities within the Company. The objective is to:

- Reward Executives for their individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of Executives with those of the shareholders; and
- Ensure that total remuneration is competitive by market standards.

The Company's Executive reward structure provides a combination of fixed and variable pay, and is comprised of:

- Fixed remuneration, inclusive of base pay, superannuation, allowances, and salary-sacrifice components;
- Short term incentives; and
- Long term incentives.

Remuneration mixes

In accordance with the Company's objective to ensure that executive remuneration is aligned to Company performance, a significant portion of executives' remuneration is placed "at risk". The relative proportion of target FY16 total remuneration packages split between fixed and variable remuneration is shown below:

	Fixed Remuneration	Target STI	Target LTI
Executive Directors			
Mr D Lougher	39%	22%	39%
Mr D Southam	43%	24%	33%
Executives			
Mr J Belladonna	43%	24%	33%
Mr W Jones	53%	21%	26%
Calculation based on 1 July 2015 salary level prior to the 10% salary reduction			

The target remuneration mix of higher level KMP has been designed with emphasis on LTI exposure. This further aligns executives with shareholders and a focus on long term value generation. Refer to Section H: Link between performance and remuneration outcomes for details of Executives' actual remuneration mix for FY16.

In the event of serious misconduct or a material misstatement in the Company's financial statements, the Remuneration Committee can cancel or defer performance based remuneration that has not yet been vested or paid. There is currently no formal claw back of performance based remuneration paid in prior financial years. The Company notes that the STI performance indicators are a blend of physical and financial targets which limits the target reward potentially payable based on financial targets or metrics.

Fixed remuneration

Fixed remuneration consists of base salary, superannuation, allowances, and any salary sacrifice components. The fixed remuneration component is reviewed annually by the Remuneration Committee. Base salary for each Executive is benchmarked against market data for comparable roles in the market and the Remuneration Committee refers to external independent salary reports to ensure that the remuneration levels are set to meet the objectives of the Company while remaining competitive in the wider employment market.

Effective 1 March 2016 a 10% reduction in KMP base salary was implemented during FY16 and no remuneration increases have been awarded for FY17. There is no guaranteed base pay increases included in any Executives' contracts.

Short term incentive ('STI')

The objective of STI's is to link Executives' remuneration with the achievement of the Company's key operational and financial targets. The STI plan provides Executives with an opportunity to earn a cash bonus on achievement of individual and group key performance indicators ('KPIs'). Challenging KPIs are set to ensure payments are only made to high performing employees.

It is the Company's policy to cap STI payments at a targeted STI level. The percentage is applied against the relevant Executive's base salary only and excludes all allowances and superannuation.

The KPIs used span across key focus areas of the business (operations, corporate, resource replenishment and exploration), and the respective KPIs and their weightings will vary by role and are designed to align to those measures relevant to the individual's area of influence.

The full list of KPIs set for Executives in FY16 is opposite. For each Executive, KPIs relevant to their area of influence are selected from the list below and assigned each year. Rarely is 100% of target STI achieved, which the Company believes demonstrates the challenging nature of the KPI targets.

	Overview KPI	Why KPI was set
Operations		
Forrestania safety performance	Based on Lost Time Injury performance in each quarter.	Motivate and reward the continued focus on safety standards and procedures.
Forrestania environmental incidents	Based on a minimum reportable environmental incidents quarter.	Motivate and reward the continued focus on best practice environmental management.
Forrestania unit cash cost	Focused on average unit cash costs for Flying Fox (FF) and Spotted Quoll (SQ) mines per pound of nickel produced. Performance better than budget is required.	Motivate and reward the stringent management of production costs outcomes that exceed the Board set business plan.
Forrestania nickel in ore production	Must exceed the budgeted nickel metal in ore production target from FF and SQ mines.	Motivate and reward nickel production outcomes that exceed Board set business plans.
Forrestania mill recoveries	Achieve a set threshold recovery above budget levels for the combined ore feed from FF and SQ mines.	Motivate and reward nickel production outcomes that exceed Board set business plans.
Forrestania nickel in concentrate sales	Sale of nickel metal in concentrate to exceed a set tonnage target.	Motivate and reward nickel sales outcomes that exceed Board set business plans.
Corporate		
Earnings	Achieve EBIT target above budget.	Motivate and reward financial outcomes that exceed Board set business plans.
Cashflow	Achieve pre-funding cashflow target above budget.	Motivate and reward financial outcomes that exceed Board set business plans.
Business development	Based on business development activities and project pipeline development that provides opportunities to add value or protect value in the Company and for the shareholders.	Motivate and reward business development initiatives that provide market intelligence and enhance corporate growth opportunity identification.
Mineral Resources and Exploration		
Nickel resource	Establishing replacement nickel reserves or mining inventory tonnages.	Motivate and reward mine life extension outcomes at Board set levels.
New nickel resources	Establishing new published nickel resources exceeding a targeted nickel tonnage levels.	Motivate and reward economic nickel discovery.
New nickel discovery	Discovery of a new Nickel deposit.	Motivate and reward economic nickel discovery.

The Remuneration Committee is responsible for determining the STI to be paid based on an assessment of whether the KPIs are met. To assist in this assessment, the Remuneration Committee receives detailed reports on performance which are verified against outcomes.

Based on the achievements of the Company in FY16, the Remuneration Committee determined that Executives achieved between 50% to 65% of their target STI opportunity. It is noted that no employee achieved 100% of their target STI award and no financial based STI payments were triggered or awarded in FY16 due to the lower than budgeted nickel price and its impact on earnings.

In making this assessment, the Remuneration Committee considered the following factors:

- An exceptional safety performance across the group and a continued lost time injury frequency rate of zero;
- The high level of environmental management and no significant environmental incidences;
- Mine and concentrator nickel production and sales volume were above the Board set budgeted expectation due to productivity and efficiency gains;
- Achievement of specific corporate objectives, recommendations and outcomes related to business development activities; and
- Achievement of challenging operating cost parameters.

Performance achieved during the year against the above KPIs has resulted in Executives earning the following STI payments:

Name	Target STI quantum (% of base salary)	Target FY16 STI quantum ($)	STI quantum earned ($)	STI quantum Forfeited ($)
Executive Directors				
Mr D Lougher	55%	$404,000	$204,000	$200,000
Mr D Southam	55%	$303,000	$175,000	$128,000
Executives				
Mr J Belladonna	55%	$204,000	$122,000	$82,000
Mr W Jones	40%	$160,000	$100,000	$60,000

Target STI was calculated based on 1 July 2015 base salary prior to the 10% salary reduction

Long Term Incentive ('LTI')

The LTI plan was reapproved by shareholders at the 2014 Annual General Meeting and has been in operation since FY12. All grants are measured against a 3 year TSR period such that no vesting occurs until the end of the third year. This ensures executives are focused on long-term shareholder value generation.

Grant frequency and quantum

Under the remuneration structure, Executives will receive a grant of Performance Rights each year, such that the LTI now forms a key component of Executives' Total Annual Remuneration.

The LTI dollar value that Executives will be entitled to receive is set at a fixed percentage of their base salary, ranging from 50% to 100%, depending on the participant's position within the Company. This level of LTI remains in line with current market practice.

The number of Performance Rights to be granted is determined by dividing the LTI dollar value of the award by the fair value of a Performance Right as calculated by an independent valuation expert.

The quantum of LTI grants made during FY16 was as follows:

Name	LTI quantum (% of base salary) (i)	LTI quantum ($)	Number of Performance Rights issued (ii)	Fair value per Performance Right at grant date (iii)	Exercise date	Expiry date
Executive Directors						
Mr D Lougher	100%	$734,400	299,750	$2.45	Upon receipt of a vesting notice issued in FY19	30/6/19
Mr D Southam	75%	$413,185	168,640	$2.45	As above	30/6/19
Executives						
Mr J Belladonna	75%	$278,400	113,630	$2.45	As above	30/6/19
Mr W Jones	50%	$200,200	81,710	$2.45	As above	30/6/19

(i) of base salary was calculated on salary applicable 1 July 2015.

(ii) The number of Performance Rights to be issued to each participant is determined by undertaking an indicative valuation at 1 July of each respective year for allocation and Board ratification purposes rounded to zero. The FY16 valuation at 1 July 2015 was $2.45/right.

(iii) Fair value as required under AASB 2. Valuation is determined at the date of the Annual General Meeting held in each respective year.

Performance conditions

Careful consideration was given to the selection of the performance conditions attached to Performance Rights. Based on market practice and the factors controllable by executives, the Board decided that the most appropriate performance measure to track shareholder outcomes is via a relative total shareholder return ('TSR') measure. TSR measures the return received by shareholders from holding shares in a company over a particular period and is calculated by taking into account the change in a company share price over the period as well as the dividends received during that period.

Western Areas TSR performance for the FY16 grant will be assessed against a customised peer group comprising the following 24 companies:

Aditya Birla Minerals Ltd	Mt Gibson Iron
Aquarius Platinum Ltd	Northern Star Resources Ltd
Altona Mining Ltd	OM Holdings Ltd
Alumina Ltd	Oz Minerals Ltd
Beadell Resources Ltd	Paladin Energy Ltd
Bouganville Copper Ltd	Panoramic Resources Ltd
Cudeco Ltd	Poseidon Nickel Ltd
Gindalbie Metals Ltd	Rex Minerals Ltd
Hillgrove Resources Ltd	Sandfire Resources Ltd
Independence Group NL	Syrah Resources Ltd
Medusa Mining Ltd	Talisman Resources Ltd
Mincor Resources NL	Zimplats Holdings Ltd

No Performance Rights will vest unless the percentile ranking of the Company's TSR for the relevant performance year, as compared to the TSR's for the peer group companies, is at or above the 50th percentile.

The following table sets out the vesting outcome based on the Company's relative TSR performance:

Relative TSR performance	Performance Vesting Outcomes
Less than 50th percentile	0% vesting
At the 50th percentile	50% vesting
Between 50th and 75th percentile	Pro-rata / progressive vesting from 50% - 100%
At or above 75th percentile	100% vesting

Performance period and vesting

FY16 grants made under the LTI plan will only vest subject to meeting the minimum service period and the relative TSR performance condition tested against the peer group over a 3 year period (1 July 2015 to 30 June 2018).

The FY16 grants service based vesting condition provides that, notwithstanding the passing of the performance test, no Performance Rights will vest and become exercisable into shares unless the participant remains employed as at 30 June 2018.

Share trading policy

The trading of shares issued to participants under any of the Company's employee equity plans is subject to, and conditional upon, compliance with the Company's employee share trading policy contained in the Corporate Code of Conduct. Executives are prohibited from entering into any hedging arrangements over unvested performance rights under the LTI plan. The Company would consider a breach of this policy as gross misconduct which may lead to disciplinary action and potentially dismissal.

SECTION F: NON-EXECUTIVE DIRECTOR REMUNERATION

Non-Executive Director remuneration policy and structure

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre whilst incurring a cost that is acceptable to shareholders.

The aggregate remuneration of Non-Executive Directors ('NEDs') is determined from time to time by shareholders in a General Meeting. An amount not exceeding the approved amount is then divided between the Directors as determined by the Remuneration Committee.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board and the Remuneration Committee considers independent salary reports as well as the fees paid to NEDs of comparable companies when undertaking this annual review.

It is an objective of the Company to encourage Directors to own shares in Western Areas. However share based payments in the form of options or equity in the Company are not offered to NEDs as encouraged by Corporate Governance guidelines.

There is no scheme to provide retirement benefits to NEDs, other than statutory superannuation.

Non-Executive Director fees limits

NED fees are determined within an aggregated fee limit of $1,000,000, which was approved by shareholders at the 2012 AGM. The following fees (including statutory superannuation) were applicable for the year:

Fees	Fin. Year	Board Chair	Board Member
Actual	2016	$186,855	$161,570

NED's agreed to a 10% reduction in Directors fees, effective from 1 March 2016.

Non-Executive Directors fee structure

NED remuneration consists of a base Directors fee for their role as Board members, and is inclusive of compensation for any role on nominated Board sub-committees. That is, no separate committee fees are payable. NEDs do not receive any performance-based pay.

SECTION G: SERVICE CONTRACTS

Executives

A summary of the key contractual provisions for each of the current executives as at 30 June 2016 is set out below, noting a 10% base salary reduction was implemented as at 1 March 2016:

Name & job title	Base salary	Super-annuation	Contract duration	Notice period	Termination provision
D Lougher, Managing Director*	$660,960	11%	No fixed term	3 months	12 months termination payment and accrued leave entitlements
D Southam, Executive Director*	$495,823	11%	No fixed term	3 months	12 months termination payment and accrued leave entitlements
J Belladonna, Chief Financial Officer / Company Secretary*	$334,080	11%	No fixed term	3 months	6 months termination payment and accrued leave entitlements
W Jones, General Manager Operations	$360,360	11%	No fixed term	1 month	6 months termination payment and accrued leave entitlements

*In the event that there is a takeover of, or merger with, the Company, the Company must pay the Executive a bonus within 10 days of that takeover or merger occurring.

The amount of the takeover bonus will be calculated as follows:

(a) The positive difference (expressed as a percentage of the 20 day VWAP) between the bid price for the Company's shares as a result of a takeover or merger bid, and the volume weighted share price of the Company's share price for the 20 days immediately preceding the takeover or merger bid; and

(b) Multiplied by 3, as a percentage of the Executive's base annual salary at the time that such a bid is completed.

(This contractual position is a legacy item that has not been applicable to any new executive appointment in over 5 years.)

All other senior management contracts are as per the group's standards terms and conditions and there are no contracted entitlements to cash bonuses, options or performance rights.

Non-Executive Directors

Non-Executive Directors receive a letter of appointment before commencing duties on the Board. The letter outlines compensation arrangements relevant to the Director. Non-Executive appointments have no end date, retirement, redundancy or minimum notice periods included in their contracts.

SECTION H: LINK BETWEEN PERFORMANCE AND REMUNERATION OUTCOMES

The remuneration framework detailed above has been tailored with the objective of attracting and retaining the highest calibre staff who contribute to the success of the Company, while maintaining alignment between Company performance and individual rewards. The remuneration policies seek a balance between the interests of stakeholders and competitive market remuneration levels.

Company Performance

FY16 has been a challenging year with regard to nickel price, seeing the lowest nickel price environment for more than 10 years. Controllable metrics have been consistent or improved year on year on year despite the commodity price challenges.

Year Ended 30 June	2016	2015	2014	2013	2012
Lost time injury frequency rate	0	0	1.9	0.83	1.5
Nickel tonnes Sold (tns)	24,793	26,036	25,756	27,819	26,637
Nickel Price – US$	$4.14/lb	$6.58/lb	$7.46/lb	$7.30/lb	$8.06/lb
Reported Cash Cost US$/lb (*)	$1.64/lb	$1.94/lb	$2.28/lb	$2.75/lb	$2.50/lb
Net Profit / (Loss) after Tax ('000)	(29,783)	35,013	25,460	(94,105)	40,181
EPS	(12.3)	15.1	12.2	(49.8)	22.4
Dividend Cents/share	-	7.0	5.0	2.0	11.0
Market capitalisation ($)	582M	753M	1,073M	457M	730M
Closing share price ($)	2.15	3.23	4.62	2.32	4.06
TSR – 3 year peer ranking (%'ile)	74th	84th	93rd	75th	39th

(*) Cash cost of production before smelting & refining, concentrate haulage and royalties.

The table below represents the Executives' actual remuneration mix of fixed remuneration, short-term incentives and long-term incentives based upon remuneration paid or expensed during FY16. It is the Company's policy to ensure that a suitable portion of executive remuneration is placed 'at-risk' and subject to performance against appropriately set targets.

	Fixed Remuneration	STI	LTI[1]
Executive Directors			
Mr D Lougher	48%	12%	40%
Mr D Southam	51%	13%	36%
Executives			
Mr J Belladonna	54%	14%	32%
Mr W Jones	60%	13%	27%

1 LTI refers to the value of Performance Rights that were expensed during FY16.

SECTION I: DETAILS OF REMUNERATION

	Short Term Employee Benefits				Post Employ-ment	Long Term Employee Benefits (accounting valuation)		
	Base Salary	STI Payments / Bonuses (ii)	Allowances	Non Monetary	Super-annuation	Long Service Leave	Share Based Payments LTI (i)	Total
Non-executive Directors								
I Macliver	167,952				18,475			186,427
FY2015	*173,743*	-	-	-	*19,112*	-	-	*192,855*
C Readhead	145,559				16,011			161,570
FY2015	*167,142*	-	-	-	-	-	-	*167,142*
T Netscher	161,570				-			161,570
FY2015	*153,213*	-	-	-	-	-	-	*153,213*
R Yeates	145,559				16,011			161,570
FY2015	*150,578*	-	-	-	*16,564*	-	-	*167,142*
J Hanna (iv)	139,912				15,390			155,302
FY2015	*150,578*	-	-	-	*16,564*	-	-	*167,142*
R Dunbar	-	-	-	-	-	-	-	-
FY2015	*83,570*	-	-	-	-	-	-	*83,570*
Executive Directors								
D Lougher (iii)	753,009	204,000	4,000	51,785	35,000	16,512	705,741	1,770,047
FY2015	*780,180*	*341,000*	*4,000*	*48,262*	*35,000*	*12,203*	*562,311*	*1,782,956*
D Southam	561,130	175,000	4,000	51,013	27,500	12,386	459,291	1,290,320
FY2015	*581,514*	*275,000*	*4,000*	*51,032*	*30,000*	*9,154*	*292,709*	*1,243,409*
Executive Officers								
J Belladonna	368,298	122,000	4,000	42,107	30,000	8,346	274,613	849,364
FY2015	*382,032*	*187,000*	*4,000*	*50,595*	*30,000*	*6,168*	*202,406*	*862,201*
W Jones	394,630	100,000	1,900	35,302	35,000	9,002	218,392	794,226
FY2015	*409,444*	*157,000*	*1,900*	*38,408*	*35,000*	*6,653*	*145,948*	*794,353*
							Total FY2016	5,530,396
							Total FY2015	5,613,983

(i) LTI refers to the value of Performance Rights that were expensed during the FY16. No Options were granted or remain outstanding at the end of the financial year.

(ii) Includes all paid and/or accrued bonuses for the applicable year.

(iii) Mr Lougher received a payment in lieu of annual leave in October 2015 to the value of $67,932, this was for the purpose of reducing the balance sheet liability for accrued leave and did not affect the Income Statement.

(iv) Mr Hanna resigned from the Board on 15 June 2016.

Related Party Transactions

There were no related party transactions with KMP during FY16. However, Mr Craig Readhead was a partner of Allion Legal until 30 June 2015. Allion is a law firm that the Company engages from time to time for the provision of legal services and advice in relation to operational matters. Fees paid to Allion during FY16 totalled $47,124 (FY15 - $121,080). Mr Readhead provided some services as a consultant to Allion during the financial year, none of which involved any matters related to Western Areas.

Mr Readhead ceased consulting to Allion by the end of FY16 and has no ongoing relationship with Allion. Western Areas uses global law firm Ashurst for all corporate, capital raising or substantial legal matters. Ashurst is by far the dominant supplier of legal services to the Company.

Shareholding by Key Management Personnel

The number of shares held by KMP (and their related parties) in the Group during the financial year is as follows:

	Balance at 1 July 2015	Granted as Remuneration	On Vesting of Performance Rights	Other Changes During the Year	Balance at 30 June 2016
I Macliver	28,948	-	-	7,500	36,448
D Lougher	126,378	-	294,800	(175,000)	246,178
D Southam	36,735	-	165,900	(74,500)	128,135
J Hanna (i)	600,091	-		(200,000)	400,091
R Yeates	10,000	-	-	-	10,000
T Netscher	-	-	-	7,000	7,000
J Belladonna	70,000	-	104,074	7,500	181,574
W Jones	-	-	83,476	-	83,476
Total	872,152	-	648,250	(427,500)	1,092,902

(i) Shareholding of Mr Hanna as at 15 June 2016.

Options held by Key Management Personnel

There were no options held by key management at any time during FY16.

Performance Rights held by Key Management Personnel

Details of Performance Rights held by KMP and granted but not yet vested under the LTI plan at 30 June 2016 are outlined below:

	Balance at 1 July 2015	Number granted as Remuneration	Number vested	Number expired / Other(*)	Balance at 30 June 2016	Portion vested (%)	Portion unvested (%)
D Lougher	965,690	299,750	(294,800)	-	970,640	-	100%
D Southam	448,990	168,640	(165,900)	94,363	546,093	-	100%
J Belladonna	346,223	113,630	(104,074)	-	355,779	-	100%
W Jones	271,247	81,710	(83,476)	-	269,481	-	100%
Total	2,032,150	663,730	(648,250)	94,363	2,141,993	-	100%

(*) Rights granted related to prior financial years that were approved at the 2015 Annual General Meeting.

All Performance Rights issued during FY16 were allotted in accordance with the shareholder approved Western Areas LTI plan. The rights were granted on 27 November 2015 and have a zero exercise price. No Performance Rights will vest unless they meet a relative TSR measure for the period 1 July 2015 to 30 June 2018 as measured against the peer group and satisfaction of the service based vesting condition which requires the participant remains employed as at 30 June 2018. Upon satisfaction of the performance and service condition, the Performance Rights will vest upon receipt of a vesting notice during the 2019 financial year.

End of audited Remuneration Report.

Significant Changes in the State of Affairs

No significant changes in the consolidated group's state of affairs occurred during the financial year.

Future Developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Environmental Regulation and Performance

The Consolidated Entity has conducted exploration and development activities on mineral tenements. The right to conduct these activities is granted subject to State and Federal environmental legislation and regulations, tenement conditions and Mining Proposal commitments. The Consolidated Entity aims to ensure that a high standard of environmental management is achieved and, as a minimum, to comply with all relevant legislation and regulations, tenement conditions and Mining Proposal commitments.
The Company has achieved a high level of compliance with all environmental conditions set for its projects and actively strives for continual improvement.

Auditor's Independence Declaration

The Auditor's Independence Declaration to the Directors of Western Areas Ltd on page 44 forms part of the Directors' Report for the year ended 30 June 2016.

Non – Audit Services

The entity's auditor, Crowe Horwath, provided non-audit services, related to renewable energy lodgements, amounting to $4,500 during FY16 (FY15: $13,750). The Board has the following procedures in place before any non-audit services are obtained from the auditors:

- all non audit services are reviewed and approved by the Board and the Audit & Risk Management Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence as set out in APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Rounding of Amounts

The Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Board of Directors.

D Lougher
Managing Director

Perth, 25 August 2016

Auditor's independence declaration

Crowe Horwath

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Western Areas Ltd for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

CROWE HORWATH PERTH

CYRUS PATELL
Partner

Signed at Perth, 25 August 2016

Crowe Horwath Perth is a member of Crowe Horwath International, a Swiss verein. Each member of Crowe Horwath is a separate and independent legal entity. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

Consolidated income statement

Year Ended 30 June 2016

	Notes	Consolidated Entity 2016 $'000	2015 $'000
Sales		209,117	312,680
Cost of sales		(214,762)	(236,474)
Other income	2	2,670	5,517
Profit on deconsolidation		875	-
Finance costs	4	(2,546)	(15,472)
Employee benefit expense		(9,569)	(9,967)
Foreign exchange gain/(loss)		670	(1,468)
Write off of non-current assets	6,11,12	(7,820)	-
Share based payments	30	(2,507)	(1,569)
Impairment losses	11	(6,963)	(247)
Realised derivative gain	4	-	2,181
Changes in fair value of derivatives	4	-	231
Administration expenses		(6,231)	(6,642)
Care and maintenance expense		(592)	-
Share of loss of associates accounted for using the equity method	8	(140)	-
Expense related to deconsolidated entity		(747)	(704)
(Loss)/profit before income tax		(38,545)	48,066
Income tax benefit/(expense)	7	8,762	(13,053)
(Loss)/profit for the year		(29,783)	35,013
(Loss)/profit attributable to:			
Members of the parent entity		(26,700)	35,761
Non controlling interest		(3,083)	(748)
		(29,783)	35,013
Basic (loss)/earnings per share (cents per share)	19	(12.3)	15.1
Diluted (loss)/earnings per share (cents per share)	19	(12.3)	14.9

The accompanying notes form part of these financial statements.

Consolidated statement of comprehensive income

Year Ended 30 June 2016

	Notes	Consolidated Entity 2016 $'000	Consolidated Entity 2015 $'000
(Loss)/profit for the year		(29,783)	35,013
Other comprehensive (loss)/income, net of tax			
Items that may be reclassified to profit or loss			
Changes in fair value of hedging instruments		394	281
Changes in financial assets at fair value through other comprehensive income		327	(426)
Exchange differences on translation of foreign controlled entities		(1,191)	1,114
Total comprehensive (loss)/income for the year		(30,253)	35,982
Total Comprehensive (loss)/income attributable to:			
Members of the parent entity		(27,170)	36,730
Non controlling interest		(3,083)	(748)
		(30,253)	35,982

The accompany notes form part of these financial statements.

Consolidated statement of financial position

As At 30 June 2016

	Notes	Consolidated Entity 2016 $'000	Consolidated Entity 2015 $'000
Current Assets			
Cash and cash equivalents	20 (b)	75,706	195,355
Trade and other receivables	5	29,275	15,974
Inventories	6	14,761	23,407
Derivative financial instruments	17	171	-
Total Current Assets		119,913	234,736
Non Current Assets			
Property, plant and equipment	9,10	96,365	99,981
Intangible assets		506	506
Exploration & evaluation expenditure	10,11	80,360	60,979
Mine properties	12	183,579	200,453
Financial assets at fair value through other comprehensive income		1,281	954
Investments accounted for using the equity method	8	7,164	-
Total Non Current Assets		369,255	362,873
Total Assets		489,168	597,609
Current Liabilities			
Trade and other payables	14	22,723	29,364
Borrowings	15	196	126,786
Provisions	16	3,363	2,457
Current tax liabilities		-	9,795
Derivative financial instruments	17	-	224
Total Current Liabilities		26,282	168,626
Non Current Liabilities			
Borrowings	15	123	210
Provisions	10,16	22,649	13,523
Deferred tax liabilities	13	6,113	14,135
Total Non Current Liabilities		28,885	27,868
Total Liabilities		55,167	196,494
Net Assets		434,001	401,115
Equity			
Contributed equity	18	442,963	369,936
Other reserves	31	15,403	32,757
Retained earnings		(24,365)	(7,473)
Equity attributable to members of the parent entity		434,001	395,220
Non controlling interest		-	5,895
Total Equity		434,001	401,115

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

Year Ended 30 June 2016

	Issued Capital $'000	Capital Raising Costs $'000	Share Based Payment Reserve $'000	Hedge Reserve $'000	Investment Reserve $'000	Convertible Note Reserve $'000	Foreign Exchange Reserve $'000	Retained Earnings $'000	Non-Controlling Interest $'000	Total Equity $'000
Total equity at 1 july 2014	384,184	(14,248)	20,156	(504)	(9,197)	32,958	77	(40,766)	5,096	377,756
Comprehensive income										
Profit for the year								35,761	(748)	35,013
Other comprehensive profit for the year				281	(426)	-	1,114			969
Total comprehensive profit for the year				281	(426)	-	1,114	35,761	(748)	35,982
Transactions with owner in their capacity as owner, and other transfers										
Share based payments expense			1,569							1,569
Cash settled share based payments			(191)							(191)
Deferred tax asset on performance rights			733							733
Changes in non-controlling interest									1,547	1,547
Transfer of convertible note reserve						(13,813)		13,813	-	-
Dividends paid								(16,281)		(16,281)
Total equity at 30 june 2015	384,184	(14,248)	22,267	(223)	(9,623)	19,145	1,191	(7,473)	5,895	401,115
Comprehensive income										
(Loss)profit for the year								(26,700)	(3,083)	(29,783)
Other comprehensive (loss)/profit for the year				394	327		(1,191)			(470)
Total comprehensive (loss)/profit for the year				394	327		(1,191)	(26,700)	(3,083)	(30,253)
Transactions with owner in their capacity as owner, and other transfers										
Contributions of equity	75,000									75,000
Transaction costs on equity		(1,973)								(1,973)
Share based payments expense			2,507							2,507
Deferred tax asset on performance rights			(246)							(246)
Changes in non-controlling interest									(2,812)	(2,812)
Transfer of convertible note reserve						(19,145)		19,145		-
Dividends paid								(9,337)		(9,337)
Total equity at 30 june 2016	459,184	(16,221)	24,528	171	(9,296)	-	-	(24,365)	-	434,001

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

Year Ended 30 June 2016

	Notes	Consolidated Entity 2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers		198,117	331,073
Payments to suppliers and employees		(154,482)	(154,039)
Interest received		778	5,109
Royalties paid		(12,938)	(15,951)
Other receipts		396	768
Interest paid		(4,289)	(11,113)
Realisation on settlement of derivatives		728	1,828
Income tax paid		(12,747)	(9,206)
Net cash inflow from operating activities	20(a)	15,563	148,469
Cash flows from investing activities			
Payments for property, plant and equipment		(8,603)	(13,610)
Proceeds from insurance refund of property, plant & equipment		1,584	(40)
Mine development expenditure		(27,615)	(42,403)
Exploration & evaluation expenditure		(13,592)	(15,723)
Purchase of Cosmos Nickel Complex		(24,158)	-
Purchase of financial assets at fair value through other comprehensive income		-	(117)
Net cash outflow from investing activities		(72,384)	(71,893)
Cash flows from financing activities			
Repayment of borrowings		(125,000)	(95,198)
Proceeds from issues of shares		75,000	-
Share issue transaction costs		(1,973)	-
Finance lease payments		(262)	(268)
Borrowing costs		(1,256)	(11)
Dividends paid to company's shareholders		(9,337)	(16,281)
Net cash outflow from financing activities		(62,828)	(111,758)
Net decrease in cash and cash equivalents held		(119,649)	(35,182)
Cash and cash equivalents as at the beginning of the financial year		195,355	230,537
Cash and cash equivalents at end of financial year		75,706	195,355

The accompanying notes form part of these financial statements.

Notes to the financial statements

For The Year Ended 30 June 2016

Note 1: Statement of Significant Accounting Policies

These consolidated financial statements and notes represent those of Western Areas Ltd and Controlled Entities (the "consolidated group" or "group").

The separate financial statements of the parent entity, Western Areas Ltd, have not been presented within this financial report as permitted by amendments made to Corporation Act 2001 effective as at 28 June 2010.

The group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

The Financial Report was approved by the Board of Directors on 25 August 2016.

Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Adoption of new and revised Accounting Standards

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Western Areas Limited ('company' or 'parent entity') as at 30 June 2016 and the results of all subsidiaries for the year then ended. Western Areas Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the income statement and statement of comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

(c) Foreign Currency Transactions and Balances

The financial statements are presented in Australian dollars, which is Western Areas Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

(d) Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of Goods

Revenue from the sale of nickel is recognised when the risks and rewards of the products pass to the buyer, currently being the point at which the product is delivered on site to the buyer or passes the ships' rail or as otherwise agreed between Western Areas and the buyer. Revenue is recognised at estimated sales value. The estimated sales value is determined by reference to the estimated metal content, metal recovery, the metal price and exchange rate. An adjustment is made to reflect the final sales value when the actual metal content and metal recovery has been determined. The final metal content and metal recovery is generally known between 30 and 90 days after delivery to the customer.

Interest

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

(e) Finance Costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories on hand by the method most appropriate to each class of inventory with the majority being valued on an average cost basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

The cost of mining stocks includes direct materials, direct labour, transportation costs and variable and fixed overhead costs relating to mining activities.

The cost of consumables and spare parts includes cost of materials and transportation costs.

(g) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property

Land and buildings are carried at cost, less accumulated depreciation for buildings.

Plant and Equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(o) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all property, plant and equipment is depreciated on a straight line basis over their useful lives or t he estimated life of mine, if shorter. Land is not depreciated. The depreciation rates used for each major type of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Property	2-20%
Plant and equipment	2-33% or unit of production basis over the life of mine
Motor vehicles	20%
Furniture and fittings	6-27%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise.

(h) Exploration and Evaluation Expenditure

Exploration and evaluation expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised for areas of interest where rights of tenure are current, to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves and active and significant operation in relation to the area of interest are continuing.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Where it is determined that uncertainty exists as to the ability to recoup carry forward exploration, evaluation and development costs an impairment loss will be raised against the asset and charged against profit in the year that determination is made.

(i) Mine Properties

Development expenditure incurred by or on behalf of the consolidated entity is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises costs directly attributable to the construction of a mine, the related infrastructure and expenditure transferred from the capitalised exploration and evaluation expenditure phase.

Amortisation is charged using the units-of production method, with separate calculations being made for each area of interest. The units-of-production basis results in a amortisation charge proportional to the depletion of proved and probable reserves.

Mine properties are tested for impairment in accordance with the policy in note 1 (o).

Costs of site restoration are provided for over the life of the facility from when exploration commences and are included in the costs from that stage. Site restoration costs include obligations relating to dismantling and removing mining plant, reclamation, waste dump rehabilitation and other costs associated with restoration and rehabilitation of the site. Such costs have been determined using estimates for current costs and current legal requirements and technology.

Any changes in the estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(j) Income Tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Western Areas Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(l) Employee Benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits obligations

The liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised as non-current liabilities and are therefore measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

The consolidated entity has provided benefits to its Key Management Personnel in the form of share-based payments, whereby services were rendered partly or wholly in exchange for shares or rights over shares. The Remuneration Committee approved the grant of performance rights as incentives to attract Executives and to maintain their long term commitment to the Company. These benefits are awarded at the discretion of the Board, or following approval by shareholders (equity-settled transactions).

The costs of these equity-settled transactions are measured by reference to the fair value of the equity instruments at the date on which they are granted. The fair value of performance rights granted is determined using the Black Scholes Option Pricing Model ("BSM") that includes a Monte Carlo Simulation Model to value the Rights, further details of which are disclosed in Note 30.

The costs of these equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and / or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the equity instrument (vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of (i) the fair value at grant date of the award; (ii) the current best estimate of the number of equity instruments that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met and (iii) the expired portion of the vesting period. The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an equity instrument has vested, any amounts recorded will be adjusted if more or fewer equity instruments vest than were originally anticipated to do so. Any equity instrument subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the recipient of the award, as measured at the date of modification.

If an equity-settled transaction is cancelled (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new equity instrument is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new equity instrument are treated as if they were a modification of the original award, as described in the preceding paragraph.

(m) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

(n) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the income statement immediately.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

a). the amount at which the financial asset or financial liability is measured at initial recognition;

b). less principal repayments;

c). plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and

d). less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

Financial assets at fair value through profit and loss

As from 1 July 2013 the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value, and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The group is required to reclassify all affected debt investments when and only when its business model for managing those assets changes.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

A gain or loss on a debt investment that is subsequently measured at fair value and is not part of a hedging relationship is recognised in profit or loss and presented net in the income statement within other income or other expenses in the period in which it arises. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the financial asset is derecognised or impaired and through the amortisation process using the effective interest rate method.

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other revenue when the group's right to receive payments is established and as long as they represent a return on investment. This treatment has been selected as the equity investments in Mustang Minerals Inc, and St George Mining Limited, as these are deemed to be strategic equity investments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period (all other loans and receivables are classified as non-current assets).

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

De-recognition

Financial assets are de-recognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are de-recognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Derivative financial instruments

Derivative financial instruments are used by the consolidated entity to hedge exposures to commodity prices and foreign currency exchange rates.

The Group documents at the inception of a transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Derivatives are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Hedging derivatives are either Fair Value Hedges or Cashflow Hedges.

Fair Value Hedges

Changes in the fair value of derivatives classified as fair value hedges are recognised in the Income Statement, together with any changes in the fair value of the hedge asset or liability that are attributable to the hedged risk.

Cash Flow Hedge

Cash flow hedges are used to cover the consolidated entity's exposure to variability in cash flows that is attributable to particular risk associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

All Other Derivatives

Changes in the fair value of derivatives that do not qualify for hedge accounting are recognised in the Income Statement.

(o) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Reversal of impairment losses

An impairment loss recognised in prior periods for an asset/CGU is reversed if there has been a change in the estimates used to determine the asset's/CGU's recoverable amount since the last impairment loss was recognised. When an impairment loss subsequently reverses, the carrying amount of the asset/CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset/CGU in prior years.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(p) Rounding Amounts

The parent entity has applied the relief available to it under the ASIC Class Order 98/100 and accordingly, amounts in the financial report have been rounded to the nearest $1,000.

(q) Cash and Cash Equivalents

Cash and cash equivalents comprise cash-on-hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

(r) Provisions

Provisions are recognised where the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow is able to be reliably measured.

(s) Convertible Bonds

The component of the convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of the convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this is carried as a long term liability. The increase in the liability due to the passage of time is recognised as a finance cost.

The remainder of the proceeds are allocated and included in shareholder equity, net of transaction costs. The carrying amount of the convertible bonds is not remeasured in subsequent years.

(t) Critical Accounting Estimates and Balances

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. Costs incurred in or benefits of the productive process are accumulated as stockpiles, nickel and other metals in process, ore on run of mine ore pads and product inventory. Net realisable value tests are performed at least annually and represent the estimated future sales price of the product based on prevailing metal prices, less estimated costs to complete production and bring the product to sale.

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number contained metal tonnes based on assay data, and the estimated recovery percentage based on the expected processing method.

Although the quantity of recoverable metal is reconciled by comparing the grades of the ore to the quantities of metals actually recovered (metallurgical balancing), the nature of the process inherently limits the ability to precisely monitor recoverability levels. As a result the metallurgical balancing process is constantly monitored and the engineering estimates are refined based on actual results over time.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

It is reasonably possible that the underlying metal price assumption may change which may then impact the estimated life of mine determinant and may then require a material adjustment to the carrying value of mining plant and equipment, mining infrastructure and mining development assets. Furthermore, the expected future cash flows used to determine the value-in-use of these assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including reserves and production estimates, together with economic factors such as metal spot prices, discount rates, estimates of costs to produce reserves and future capital expenditure. At 30 June 2016, there was $7.0M impairment charge made to Exploration, Evaluation and Development.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain.

Provision for restoration and rehabilitation

Provision is made for the costs of Restoration and rehabilitation when the related environmental disturbance takes place as outlined in Note 16. The provision recognised represents management's best estimate of the costs that will be incurred, but significant judgement is required as many of these costs will not crystallise until the end of the life of the mine. Estimates are reviewed annually and are based on current regulatory requirements and the estimated useful life of the mine. Engineering and feasibility studies are undertaken periodically, however significant changes in the estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision

As discussed in note (l), the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

(u) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit and loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(v) Comparative figures

Where necessary, comparative figures have been restated to conform with changes in presentation for the current year.

(w) Intangibles

Expenditure during the research phase of a project is recognised as an expense when incurred. Patents and trademarks are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Patents and trademarks have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

(x) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(y) Business Combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred for the acquisition is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquire is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

(z) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(aa) Earnings per share

Basic earnings per share

Basic earnings per share are calculated by dividing:

- The profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares.
- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year (note 19).

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(bb) New Accounting Standards and Interpretations not yet mandatory or early adopted

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition.

The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied.

Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied.

Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs).

In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 2: Other income

	Notes	Consolidated Entity 2016 $'000	2015 $'000
- Interest income		780	4,749
- Other income		702	-
- Insurance proceeds		1,188	-
- Income on sale of carbon credits		-	768
Total other income		2,670	5,517

Note 3: Dividends

Dividends proposed			
No final dividend is proposed for the year ended 30 June 2016 (2015: 4 cents fully franked). .		-	9,337
Dividends paid			
A fully franked final dividend of 4 cents per share was paid for the year ended 30 June 2015 (2014: 4 cents).		9,337	9,292
No interim dividend for 2016 (2015: 3 cent fully franked) per share		-	6,989
		9,337	16,281

Note 4: Profit before income tax

Profit before income tax includes the following specific expenses:			
- Depreciation of property, plant and equipment	9	16,474	15,077
- Depreciation of disposed property, plant and equipment	9	515	-
- Amortisation of mine development asset	12	43,682	50,737
- Rental expenditure relating to operating leases		1,345	1,403
- Realised derivative (gains) / losses		-	(2,181)
- Changes in fair value of derivatives		-	(231)
- Employee benefits expense			
Defined contribution superannuation expense		2,221	2,288
- Finance costs:			
Interest expense – borrowings		267	8,046
Provisions: unwinding of discount		767	725
Bond accretion expense		-	5,429
Interest expense – finance leases		21	33
Borrowing costs amortised		1,491	1,239
Total borrowing costs		2,546	15,472

Note 5: Trade and Other Receivables

Trade debtors		21,300	11,278
Other debtors		718	830
Income tax prepaid		3,448	-
GST refund due		551	629
Prepayments		3,258	3,237
		29,275	15,974

There are no balances within trade and other receivables that contain amounts that are past due. It is expected the balances will be received when due.

Note 6: Inventories

	Notes	Consolidated Entity 2016 $'000	2015 $'000
Ore stockpiles – at cost		9,911	18,357
Nickel concentrate stockpiles – at cost		958	1,143
Consumables and spare parts – at cost		3,892	3,907
		14,761	23,407

Inventory write-off

Due to the continuing low nickel price an inventory stockpile of Flying Fox low grade ore was written off that carried an historic cost of $4.6 million. This is in accordance with "AASB 102 Inventory" where inventory must be carried at the lower of cost or net realisable value.

Note 7: Income Tax

	Notes	2016 $'000	2015 $'000
The components of the tax expense comprise:			
- Current tax		-	12,585
- Deferred tax	13	(8,022)	2,893
- R&D Tax offset		(1,656)	(1,688)
- Adjustment of current tax for prior periods		1,154	371
- Income tax benefit on share based payments		(238)	(1,108)
Income tax (benefit)/expense		(8,762)	13,053

The prima facie tax on the profit from ordinary activities before income tax at the statutory income tax rate compared to the income tax expense at the groups' effective income tax rate is reconciled as follows:

		2016 $'000	2015 $'000
Prima facie tax on (loss)/profit before income tax at 30% (2015: 30%)		(11,564)	14,420
Adjusted for the tax effect of:			
- Changes in fair value of derivatives		-	(69)
- Exploration write-off		686	-
- Share based payment expense		752	471
- Other non allowable items		-	71
- Foreign branch losses (FinnAust mining Plc)		2,313	-
- Share issue costs deductible		(242)	(242)
- Other temporary differences		(469)	(2,119)
- Income tax benefit on share based payments		(238)	(1,108)
- Convertible bond accretion expense		-	1,629
Tax (Benefit)/Expense		(8,762)	13,053

Note 8: Investments Accounted for Using the Equity Method

	Consolidated Entity	
	2016 $'000	2015 $'000
Non-current assets		
Associates:	7,164	-

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the consolidated entity is set out below:

		Percentage of equity held	
Name	Country of Incorporation	2016	2015
FinnAust Mining Plc	United Kingdom	37%	60%

On 8 March 2016, FinnAust Mining Plc completed a placement of 124M shares to Bluejay Mining Limited. Western Areas Ltd did not participate in the placement. As a result, Western Areas' shareholding in FinnAust Mining Plc decreased to 37%. In line with AASB 10 "Consolidated Financial Statements", Western Areas is deemed to have lost control of FinnAust Mining Plc due to:

- Western Areas Ltd owning less than half of the voting power of FinnAust Mining Plc; and
- Not having control of the Board of FinnAust Mining as the majority of board members have no association with Western Areas.

As a result, FinnAust Mining Plc has been deconsolidated as at 8 March 2016, now being accounted for using the equity method of accounting.

Summarised financial information

Summarised financial information of the subsidiary with non-controlling interests that are material to the consolidated entity is set out below

	FinnAust Mining Pc	
	2016 $'000	2015 $'000
Summarised Statement of Financial Position		
Current Assets	1,083	1,734
Non Current Assets	22,709	17,286
Total Assets	23,792	19,020
Current Liabilities	708	479
Non Current Liabilities	673	128
Total Liabilities	1,381	607
Net Assets	22,411	18,413
Summarised statement of profit or loss and other comprehensive income for the period 9 March 2016 to 30 June 2016		
Revenue	-	-
Expenses	(380)	(1,870)
Loss before income tax	(380)	(1,870)
Income tax	-	-
Loss after income tax	(380)	(1,870)
Other comprehensive expenses	-	-
Total Comprehensive loss	(380)	(1,870)
Interest in associate (37%)	(140)	-

Note 9: Property, Plant and Equipment

	FinnAust Mining Pc	
	2016 $'000	2015 $'000
Property – at cost	47,177	44,264
Accumulated depreciation	(24,042)	(19,530)
	23,135	24,734
Plant & equipment – at cost	150,806	141,000
Accumulated depreciation	(78,123)	(66,334)
	72,683	74,666
Plant & equipment under lease	1,594	1,455
Accumulated depreciation	(1,047)	(874)
	547	581
Total property, plant & equipment – at cost	199,577	186,719
Accumulated Depreciation	(103,212)	(86,738)
Total	96,365	99,981

Assets Pledged as Security

The property, plant and equipment are assets over which a mortgage has been granted as security over project loans. The terms of the mortgage preclude the assets from being sold or being used as security for further mortgages without the permission of the existing mortgagor. Assets under lease are pledged as security for the associated lease liabilities.

Movement in carrying amounts:

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current year:

	Consolidated Entity	
	2016 $'000	2015 $'000
Property		
Written down value at the beginning of the year	24,734	25,721
- Additions	3,805	3,203
- Disposals	(892)	-
- Depreciation on disposals	497	-
- Depreciation expense	(5,009)	(4,190)
Written down value at the end of the year	23,135	24,734
Plant & Equipment		
Written down value at the beginning of the year	74,666	76,003
- Additions	9,850	9,411
- Deconsolidated assets	(44)	-
- Depreciation expense on deconsolidated assets	18	-
- Depreciation expense	(11,807)	(10,748)
Written down value at the end of the year	72,683	74,666
Plant & Equipment under Lease		
Written down value at the beginning of the year	581	566
- Additions	139	154
- Depreciation expense	(173)	(139)
Written down value at the end of the year	547	581

Note 10: Asset Acquisition

The Cosmos Nickel Complex ("Cosmos") is located approximately 370 kilometres northwest of Kalgoorlie in Western Australia and prior to its acquisition by WSA, the project was owned by Xstrata Nickel Australasia Operations Pty Ltd.

On 19 June 2015, the Company announced that it had reached an agreement with Xstrata Nickel Australasia Operations Pty Ltd, a subsidiary of Glencore International plc to purchase Cosmos subject to certain conditions precedent. On 1 October 2015, these conditions were satisfied and the transaction was completed.

Under the Sale and Purchase Agreement ("SPA"), the total consideration paid by WSA amounted to $24.5 million, comprising a cash payment of $11.5 million on completion of the SPA and deferred payments of $7.0 million and $6.0 million to be settled in nine months and 18 months after completion respectively. The company settled the deferred amount in full on 27 April 2016.

The accounting treatment of the acquisition has been considered not to be a business combination under AASB 3, but the acquisition of a group of assets that do not constitute a business.

The fair values of the acquired assets and liabilities have been independently assessed as at the acquisition date as per the table below:

	$'000
Property, plant & equipment	4,100
Exploration assets	27,100
Rehabilitation liability	(7,400)
Net Assets acquired and liabilities assumed	23,800

These have been included on the balance sheet under their respective categories

Note 11: Exploration & Evaluation Expenditure

	Consolidated Entity	
	2016 $'000	2015 $'000
Exploration & Evaluation Expenditure consists of:		
- At cost	53,255	60,979
- Cosmos exploration at fair value	27,105	-
Total Exploration and Evaluation Expenditure	80,360	60,979

Movement in carrying amount:

Movement in the carrying amounts for exploration and evaluation expenditure between the beginning and the end of the current period:

	2016 $'000	2015 $'000
Written down value at the beginning of the year	60,979	47,008
- Expenditure incurred during the year	12,912	14,199
- Cosmos exploration assets valuation	27,105	-
- Deconsolidated exploration assets	(11,454)	-
- Impairment on deconsolidated exploration assets	(6,963)	-
- Write-off	(2,219)	(228)
Written down value at the end of the year	80,360	60,979

Carry Forward Exploration & Evaluation Expenditure

The recovery of the costs of exploration and evaluation expenditure carried forward is dependent upon the discovery of commercially viable mineral and other natural resource deposits and their subsequent development and exploitation or alternatively their sale.

Impairment and write-off

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. Management regularly evaluates the recoverability of exploration and evaluation assets.

Note 11: Exploration & Evaluation Expenditure (continued...)

As reported in the Interim Financial Statements at 31 December 2015 the following write off and impairment adjustments were accounted for:

(i) Exploration and evaluation

In accordance with "AASB 6 Exploration and Evaluation Assets" are regularly assessed for impairment where circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

- Regional exploration expenditure in relation to specific areas of interest that have not lead to the discovery of economic mineral resources, or are currently not scheduled for continued activities, resulted in a $2.2 million write off.
- The company had a 60% interest in FinnAust Mining Plc (FinnAust), an exploration company listed on AIM in the UK and was consolidated into the group result. FinnAust had announced a new strategic direction and as such the exploration projects were assessed and historic amounts of exploration and evaluation expenditure that were unlikely to be recovered through successful development or sale have been impaired by $7.0 million. The company's interest has subsequently decreased to 37% and as a result FinnAust has been deconsolidated on 8 March 2016 (note 8).

Note 12: Mine Properties

	Consolidated Entity	
	2016 $'000	2015 $'000
Capitalised development expenditure consists of:		
- Mine development	146,203	144,544
- Acquisition of mining assets	59,796	59,796
- Exploration expenditure transfer	76,000	76,000
- Deferred mining expenditure	338,210	313,061
- Capitalised restoration costs	11,645	11,645
- Capitalised interest	11,175	11,175
- Accumulated amortisation	(459,450)	(415,768)
Total Mine Development	183,579	200,453

Movement in carrying amount:

Movement in the carrying amounts for mine development expenditure between the beginning and the end of the current period:

Development Expenditure		
Written down value at the beginning of the year	200,453	206,434
- Additions	27,772	44,756
- Evaluation and Feasibility write-off for the year	(964)	-
- Amortisation charge for the year	(43,682)	(50,737)
Written down value at the end of the year	183,579	200,453

Write-off of mine property expenditure

Management has reviewed the recoverable amount of each asset or group of assets within the Group's Cash Generating Unit and has written off $1.0 million feasibility expenditure relating to early stage evaluation projects.

Note 13: Deferred Tax Liabilities

	Consolidated Entity	
	2016 $'000	2015 $'000
The balance comprises temporary differences attributable to:		
(a) Liabilities		
- Exploration & evaluation expenditure	(50,782)	(46,858)
- Property, plant and equipment	(1,938)	(3,106)
- Other	(286)	(40)
	(53,006)	(50,004)
(b) Assets		
- Provisions	5,583	4,794
- Mine development	27,673	29,742
- Tax losses	11,378	-
- Employee share trust	965	1,222
- Other	1,294	111
	46,893	35,869
Net deferred tax liabilities	(6,113)	(14,135)
(c) Reconciliation		
i) Gross movement		
The overall movement in the deferred tax account is as follows:		
Opening balance	(14,135)	(11,242)
Debit to income statement	8,022	(2,893)
Closing balance	(6,113)	(14,135)
ii) Deferred tax liability		
The movement in the deferred tax liabilities for each temporary difference during the year is as follows:		
Exploration & development expenditure		
Opening balance	(46,858)	(27,929)
Debit to income statement	(3,924)	(18,929)
Closing balance	(50,782)	(46,858)
Property, plant and equipment		
Opening balance	(3,106)	(4,106)
Credit to income statement	1,168	1,000
Closing balance	(1,938)	(3,106)
Other		
Opening balance	(40)	(376)
(Debit)/credit to income statement	(246)	336
Closing balance	(286)	(40)

Note 13: Deferred Tax Liabilities (continued...)

(c) Reconciliation (continued...)

	Consolidated Entity	
	2016 $'000	2015 $'000
iii) Deferred Tax Assets		
The movement in the deferred tax assets for each temporary difference during the year is as follows:		
Provisions		
Opening balance	4,532	4,532
Credit to income statement	1,051	262
Closing balance	5,583	4,794
Mine development		
Opening balance	29,742	16,571
(Debit)/credit to income statement	(2,069)	13,171
Closing balance	27,673	29,742
Tax losses		-
Opening balance	-	-
Credit to income statement	11,378	-
Closing balance	11,378	-
Employee share trust		
Opening balance	1,222	-
(Debit)/credit to income statement	(257)	1,222
Closing balance	965	1,222
Other		
Opening balance	111	66
Credit to income statement	1,183	45
Closing balance	1,294	111

Note 14: Trade & Other Payables

Trade payables	8,555	2,421
Accrued expenses	14,168	22,943
Accrued interest on convertible bonds (note 15b)	-	4,000
	22,723	29,364

Note 15: Borrowings

	Notes	Consolidated Entity 2016 $'000	2015 $'000
Current			
Corporate loan facility	15 (a)	-	-
Convertible bonds	15 (b)	-	125,000
Insurance funding		-	1,568
Lease liabilities	15 (c) & 21 (b)	196	218
		196	126,786
Non Current			
Lease liabilities	15 (c) & 21(b)	123	210
		123	210

(a) Corporate loan facility

The Corporate Loan facility is available for broad company purposes as agreed between the Australia and New Zealand Banking Group Ltd (ANZ) and Western Areas Ltd. In December 2015, at the Company's request, a variation to the loan facility was executed reducing the existing loan facility maximum facility limit to $50M. The amortising available limit as at 30 June 2016 was $30M, the facility remains undrawn with an expiry date in March 2017.

The carrying value of assets secured under the corporate loan facility is as follows:

	2016	2015
Mine properties	183,579	200,453
Property, plant & equipment	95,818	99,400
	279,397	299,853

(b) Convertible bonds

	2016	2015
Current		
Convertible bonds (Issued April 2010)	-	125,000

The convertible bonds issued in April 2010 were repaid on 2 July 2015.

(c) Lease liabilities

The lease liabilities are secured over the assets under the lease. The finance leases have an average term of 3 years and an average implicit discount rate of 4.07%. Refer to note 9 for the carrying value of the assets under lease.

Note 16: Provisions

	Notes	Consolidated Entity 2016 $'000	2015 $'000
Current			
Employee Entitlements	16 (a)	3,363	2,457
Non Current			
Rehabilitation and restoration cost			
Opening balance	16 (b)	13,523	12,798
Additional provision raised	16 (b)	959	-
Cosmos rehabilitation provision	16 (c)	7,400	-
Unwinding of discount		767	725
Rehabilitation expenditure incurred during the period		-	-
Closing balance		22,649	13,523

(a) Employee entitlements relate to the balance of annual leave and long service leave accrued by the consolidated entity's employees. Recognition and measurement criteria have been disclosed in Note 1.

(b) Rehabilitation and restoration costs relate to an estimate of restoration costs that will result from the development of the Forrestania Nickel Project. Based on the current known mine life restoration activities are not expected to commence within the next 10 years, following full exhaustion of mine life rehabilitation activities will be undertaken.

(c) Rehabilitation costs associated with the Cosmos Nickel Complex (note 10) was valued at $7.4M.

Note 17: Derivative financial instruments

Current Assets			
Nickel collar options		-	-
Foreign exchange options	28 (c)	171	-
Total		171	-
Current Liabilities			
Nickel collar options		-	-
Foreign exchange options	28 (c)	-	224
Total		-	224

Collar options are used to hedge cash flow risk associated with future transactions. Gains and losses arising from changes in the fair value of derivatives are initially recognised directly in the statement of comprehensive income. At the date of settlement, amounts included in the hedge reserve are transferred from equity and included in the income statement.

Note 18: Issued Capital

	Consolidated Entity	
	2016 $'000	2015 $'000
270,924,958 fully paid ordinary shares (2015: 233,149,778)	442,963	369,936

Movements in issued capital

	Number of shares	$'000
2016		
Balance at beginning of the financial year	233,149,778	369,936
- Issued via share placement	30,000,000	60,000
- Issued via share purchase plan	7,500,053	15,000
- Share issue expense	-	(1,973)
- Performance rights vested issued as shares	275,127	-
Balance at end of the financial year	270,924,958	442,963
2015		
Balance at beginning of the financial year	232,310,014	369,936
- Performance rights vested issued as shares	839,764	-
Balance at end of the financial year	233,149,778	369,936

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future development of the business. There were no changes to the consolidated entity's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Board effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

Performance rights

Information relating to performance rights issued, exercised, lapsed during the year and the performance rights outstanding at the end of the year are detailed in Note 30 Share Based Payments.

Terms and conditions of ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid upon shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Note 19: Earnings Per Share

	Consolidated Entity	
	2016 $'000	2015 $'000
(Loss)/Earnings used to calculate basic / diluted earnings per share	(29,783)	35,013
	2016 Number	2015 Number
Weighted average number of ordinary shares outstanding during the year used in calculating earnings per share	241,940,446	232,559,757
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive earnings per share	245,133,933	234,847,060

Note 20: Cash Flow Information

	2016 $'000	2015 $'000
(a) Reconciliation of the net profit after tax to net cash provided by operating activities		
(Loss)/profit after income tax	(29,783)	35,013
Depreciation expense	16,989	15,077
Amortisation expense	45,173	51,976
Profit on insured assets written off	(1,188)	-
Convertible bonds accretion expense	-	5,429
Impairment / write-off expenses	14,783	247
Profit on deconsolidation	875	-
Other	(458)	659
Share based payment expense	2,507	1,569
Rehabilitation provision interest unwound	767	725
Provision for employee entitlements	906	304
Derecognising foreign currency translation reserve	(1,191)	1,114
Change in Assets and Liabilities		
Decrease in trade and other payables	(2,049)	(319)
Decrease / (increase) in inventories	4,076	15,914
Decrease / (increase) in trade and other receivables	(10,335)	18,401
Decrease in interest payable	(4,000)	(3,034)
(Decrease) / Increase in tax liabilities	(21,509)	3,847
Movement in non-controlling interest	-	1,547
Net cash provided by operating activities	15,563	148,469
(b) Reconciliation of Cash and Cash Equivalents		
Cash and cash equivalents comprises :		
Cash on hand and at bank	75,706	195,355

Note 20: Cash Flow Information (continued...)

(c) Financing Facilities Available

As at the reporting date the Consolidated Entity had the following financing facilities in place:

	Total Facility $'000	Utilised at Balance Date $'000	Available Facilities (*) $'000
Banking Facilities:-			
ANZ Banking Group			
- Cash advance facility*	30,000	-	30,000
Performance Guarantees:-			
ANZ Banking Group			
- Security bond facility	5,000	636	4,364
	35,000	636	34,364

* The Corporate Loan facility is available for broad company purposes as agreed between the Australia and New Zealand Banking Group Ltd (ANZ) and Western Areas Ltd. In December 2015, at the Company's request, a variation to the loan facility was executed reducing the existing loan facility maximum facility limit to $50M. The amortising available limit as at 30 June 2016 was $30M, the facility remains undrawn with an expiry date in March 2017.

(d) Non Cash Financing Activities

During the year, the consolidated entity acquired plant & equipment by means of a finance lease to the value of $139k (2015: $154k).

Note 21: Commitments

The Directors are not aware of any commitments as at the date of these financial statements other than those listed below.

	Consolidated Entity	
	2016 $'000	2015 $'000
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
- no later than 1 year	685	968
- later than 1 year and not later than 5 years	2,602	2,956
Lease expenditure contracted for at year end	3,287	3,924

The operating leases are for miscellaneous office equipment and office premises in West Perth. The West Perth office lease expires August 2021.

	2016 $'000	2015 $'000
(b) Finance Lease Commitments		
- no later than 1 year	196	218
- later than 1 year and not later than 5 years	123	210
Total Minimum Lease Payments	319	428
- future finance charges	13	22
Total Lease Liability	332	450
- current	205	227
- non current	127	223
	332	450

The finance lease commitments relate primarily to motor vehicles, but also include some office equipment. Motor vehicles are finance leased under 3 year contracts at normal commercial rates, balloon payments are generally required at the expiry of the finance lease, at which point the Company takes ownership of the vehicle.

	2016 $'000	2015 $'000
(c) Capital Expenditure Commitments		
- no later than 1 year	-	34,500
- later than 1 year and not later than 5 years	15,706	11,377
Total minimum commitments	15,706	45,877

Note 21: Commitments (continued...)

(c) Capital Expenditure Commitments (continued...)

	Consolidated Entity	
	2016 $'000	2015 $'000

On 21 July 2015, the Company announced the commencement of the mill enhancement project with GR Engineering. A total of $6.5m has been spent on long lead items this financial year. This project has been delayed and is expected commence in the financial year beginning 1 July 2018.

(d) Exploration Expenditure Commitments		
- no later than 1 year	6,255	4,170
- later than 1 year and not later than 5 years	25,020	16,678
Total Minimum Payments	31,275	20,848

Under the terms and conditions of the Company's title to its various tenements, it has an obligation to meet tenement rents and minimum levels of exploration expenditure as gazetted by the Department of Mines and Petroleum.

Note 22: Auditor Remuneration

During the year the following fees were paid or payable for services provided by the auditor of the Company:		
- Audit and review of financial statements	105	125
- Audit of Jobs and Competitiveness Program Assistance Application	5	14
	110	139

Note 23: Material Contracts

The Company has two main customers. A summary of the key terms of the off-take agreements entered into with these customers are detailed below. Credit risk associated with these customers is detailed in note 28.

In May 2009 the Company entered a Concentrate Purchase Agreement ("CPA") with BHP Billiton Ltd (BHP). Under the terms of this agreement BHP are entitled to purchase up to 10,000 tonnes per annum of nickel in concentrate produced from the Forrestania tenements. The agreement is for a term of 7.5 years. In March 2012 a second contract was entered into with BHP for the supply of a further 2,000 tonnes of nickel in concentrate. The second agreement was for a term of 7 years.

In November 2014, the Company entered into a new Sale and Purchase Agreement for Nickel Concentrates with Jinchuan Group Ltd ("Jinchuan") to deliver up to 26,000 tonnes of nickel in concentrate. This equates to approximately 2 years of nickel shipments.

Note 24: Contingent Liabilities

The Directors are not aware of any contingent liabilities as at the date of these financial statements.

Note 25: Subsequent Events

There have been no subsequent events after 30 June 2016 which had a material effect on the financial statements for the year ended 30 June 2016.

Note 26: Statement of Operations by Segments

Identification of reportable segment

The group identifies its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker is in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Note 27: Key Management Personnel

Key Management Personnel

Key management personnel of the Consolidated Entity (as defined by AASB 124: Related Party transactions) include the following:

I Macliver	Chairman (Non-Executive)
R Yeates	Director (Non-Executive)
C Readhead	Director (Non-Executive)
T Netscher	Director (Non-Executive)
J Hanna	Director (Non-Executive) (Resigned 15 June 2016)
D Lougher	Managing Director
D Southam	Executive Director
J Belladonna	Chief Financial Officer / Company Secretary
W Jones	General Manager Operations

Refer to the remuneration report contained in the Directors' report for details of the remuneration paid or payable to each member of the group's key management personnel for the year ended 30 June 2016.

The total of remuneration paid to key management personnel of the Consolidated Entity during the year is detailed below:

	Consolidated Entity	
	2016 $'000	2015 $'000
Short term employee benefits	3,631	4,194
Share based payments	1,658	1,203
Post-employment benefits	241	217
	5,530	5,614

Note 28: Financial Risk Management

Financial Risk Management Policies

The Treasury Committee consisting of senior management and non executive board members meets on a regular basis to analyse and discuss amongst other issues, monitoring and managing financial risk exposures of the consolidated entity. The Treasury Committee monitors the consolidated entity financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to commodity price risk, counter party credit risk, currency risk, financing risk and interest rate risk.

The Treasury Committee's overall risk management strategy seeks to assist the consolidated entity in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and commodity and equity price risk.

(a) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Note 28: Financial Risk Management (continued...)

(a) Credit Risk (continued...)

The carrying amount of financial assets exposed to credit risk is detailed below:

	Consolidated Entity	
	2016 $'000	2015 $'000
Cash and cash equivalents	75,706	195,355
Trade and other receivables	29,275	15,974
Financial assets at fair value through other comprehensive income	1,281	954
Derivative financial instruments	171	-

Cash and cash equivalents and derivative financial instruments

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings.

Trade and other receivables

The consolidated entity does not have significant credit risk exposure to trade receivables as the consolidated entity's customers are considered to be of high credit quality. There were no balances within trade and other receivables that are past due. It is expected these balances will be received when due. Export sales are conducted under an irrevocable letter of credit.

Financial assets at fair value through other comprehensive income

Credit risk on financial assets at fair value through other comprehensive income is minimised by undertaking transactions with recognised counterparties on recognised exchanges.

(b) Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms which include:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities
- using derivatives that are only traded in highly liquid markets
- monitoring undrawn credit facilities, to the extent that they exist
- obtaining funding from a variety of sources
- maintaining a reputable credit profile
- managing credit risk related to financial assets
- investing surplus cash only with major financial institutions
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets

The tables below reflect an undiscounted contractual maturity analysis for financial assets and liabilities. Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Note 28: Financial Risk Management (continued...)

(b) Liquidity Risk (continued...)

Financial liability and financial asset maturity analysis

The Consolidated Entity's contractual maturity analysis of financial assets and financial liabilities is shown below:

2016 Consolidated Entry

	1 year or less $'000	Over 1 to 5 years $'000	More than 5 Years $'000	Total contractual cash flows $'000
Financial Assets – Non Derivative				
Cash and Cash Equivalents	75,706	-	-	75,706
Trade and Other Receivables	29,275	-	-	29,275
Financial assets at fair value through other comprehensive income	-	-	1,281	1,281
Financial Assets –Derivative				
Derivative Collar Options (net settled)	171	-	-	171
	105,152	-	1,281	106,433
Financial Liabilities – Non Derivative				
Trade and Other Payables	22,723	-	-	22,723
Lease Liabilities	196	123		319
	22,919	123	-	23,042
Net Financial Assets/(Liabilities)	82,233	(123)	1,281	83,391

2015 Consolidated Entity

	1 year or less $'000	Over 1 to 5 years $'000	More than 5 Years $'000	Total contractual cash flows $'000
Financial Assets – Non Derivative				
Cash and Cash Equivalents	195,355	-	-	195,355
Trade and Other Receivables	15,974	-	-	15,974
Financial assets at fair value through other comprehensive income	-	-	954	954
	211,329	-	954	212,283
Financial Liabilities – Non Derivative				
Trade and Other Payables	29,364	-	-	29,364
Convertible Bonds	125,000	-	-	125,000
Insurance funding	1,568	-	-	1,568
Lease Liabilities	218	210		428
Financial Liabilities –Derivative				
Derivative Collar Options (net settled)	224	-	-	224
	156,374	210	-	156,584
Net Financial Assets/(Liabilities)	54,955	(210)	954	55,699

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, price risk and currency risk.

i) Interest Rate Risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. Interest rate risk is managed using a mix of fixed and floating rate debt.

Note 28: Financial Risk Management (continued...)

(c) Market Risk (continued...)

i) Interest Rate Risk (continued...)

At the reporting date, the interest rate risk profile of the consolidated entity's interest bearing financial instruments was as follows:

2016 Consolidated Entry

	Floating Interest Rate $'000	Fixed Interest maturing in: 1 year or less $'000	Over 1 to 5 years $'000	More than 5 Years $'000	Non-Interest Bearing $'000	Total $'000	Weighted Average Interest Rate
Financial Assets							
Cash and Cash Equivalents	75,706	-	-	-	-	75,706	2.9%
Trade and Other Receivables	-	-	-	-	29,275	29,275	
Financial assets at fair value through other comprehensive income	-	-	-	-	1,281	1,281	
	75,706	-	-	-	30,556	106,262	
Financial Liabilities							
Trade and Other Payables		-	-	-	(22,723)	(22,723)	
Lease liability	-	(196)	(123)	-	-	(319)	5.1%
	-	(196)	(123)	-	(22,723)	(23,042)	
Net Financial Assets / (Liabilities)	75,706	(196)	(123)	-	7,833	83,220	

2015 Consolidated Entity

	Floating Interest Rate $'000	Fixed Interest maturing in: 1 year or less $'000	Over 1 to 5 years $'000	More than 5 Years $'000	Non-Interest Bearing $'000	Total $'000	Weighted Average Interest Rate
Financial Assets							
Cash and Cash Equivalents	195,355					195,355	2.0%
Trade and Other Receiva-bles					15,974	15,974	
Financial assets at fair value through other comprehensive income					954	954	
	195,355	-	-	-	16,928	212,283	
Financial Liabilities							
Trade and Other Payables	-	-	-	-	(29,786)	(29,786)	
Convertible bonds	-	(125,000)	-	-	-	(125,000)	6.4%
Insurance funding	-	(1,568)	-	-	-	(1,568)	2.5%
Lease liability	-	(218)	(210)	-	-	(428)	5.1%
	-	(126,786)	(210)	-	(29,786)	(156,782)	
Net Financial Assets/ (Liabilities)	195,355	(126,786)	(210)	-	(12,858)	55,501	

Interest rate sensitivities have not been included in the financial report as the changes in profit before tax due to changes in interest rate is not material to the results of the Consolidated Entity.

Note 28: Financial Risk Management (continued...)

(c) Market Risk (continued...)

ii) Price Risk

a) Equity Price Risk

The consolidated entity is exposed to equity securities price risk. This arises from investments held by the Group and classified on the statement of financial position as financial assets at fair value through other comprehensive income.

A majority of the consolidated entity's equity investments are publicly traded and are quoted either on the ASX or the TSX.

The table below summarises the impact of increases/decreases of these two indexes on the Consolidated Entity's comprehensive income. The analysis is based on the assumption that the equity indexes had increased by 10% / decreased by 10% (2015 – increased by 10% / decreased by 10%) and foreign exchange rate increased by 5% / decrease by 5% (2015 increased by 5% / decrease by 5%) with all other variables held constant and all the Consolidated Entity's equity instruments moved according to the historical correlation with the index. The percentages are the sensitivity rates used when reporting equity price risk internally to key management personnel and represents management's assessment of the possible change in equity prices.

	Consolidated Entity	
	30 Jun 2016 $'000	30 Jun 2015 $'000
Financial assets at fair value through other comprehensive income Index		
ASX	25	7
TSX	127	182

Comprehensive income would increase/decrease as a result of gains/losses on equity securities classified as financial assets at fair value through other comprehensive income. A decrease in the share price and exchange rate would result in a further decrease in fair value compared to cost.

b) Commodity Price Risk

The Consolidated Entity is exposed to commodity price risk. Commodity price risk arises from the sale of nickel. The entity manages its commodity price risk exposure arising from future commodity sales through sensitivity analysis, cash flow management and forecasting and where appropriate utilise derivative financial instruments to reduce price risk.

The following table details the Consolidated Entity's sensitivity to a USD 500 / tonne increase and decrease in the nickel price. USD 500 is the sensitivity rate used when reporting commodity price risk internally to key management personnel and represents management's assessment of the possible change in commodity price. The table below assumes all other variables remaining constant.

Sensitivity analysis

	Profit $'000	Equity $'000
Year Ended 30 June 2016		
+- $500 / tonne nickel	+/-996	+/-996
Year Ended 30 June 2015		
+- $500 / tonne nickel	+/-499	+/-499

Nickel Collar Options

The consolidated entity enters into financial transactions in the normal course of business and in line with Board guidelines for the purpose of hedging and managing its expected exposure to nickel prices. The hedges are treated as cashflow hedges in accordance with AASB 9 "Financial Instruments: Recognition and Measurement".

There were no nickel collar options and swaps open at 30 June 2016.

iii) Currency Risk

Currency risk arises when future commercial transactions and recognised financial assets and liabilities are denominated in a currency that is not the entity's functional currency. The Consolidated Entity manages its foreign currency risk exposure through sensitivity analysis, cash flow management, forecasting and where appropriate, utilises derivative financial instruments. The carrying amount of the Consolidated Entity's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

Note 28: Financial Risk Management (continued...)

(c) Market Risk (continued...)

iii) Currency Risk (continued...)

	30 June 2016		30 June 2015	
	Financial liabilities	Financial assets	Financial liabilities	Financial assets
US$ '000	-	6,960	-	24,224
UK Stirling '000	-	-	-	795

The following table details the consolidated entity's sensitivity to a 5% increase and decrease in the Australian Dollar against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates.

Sensitivity analysis

	Profit $'000	Equity $'000
Year Ended 30 June 2016		
+ 5% in $A/$US	1,082	1,082
- 5% in $A/$US	(979)	(979)
Year Ended 30 June 2015		
+ 5% in $A/$US	612	612
- 5% in $A/$US	(554)	(554)

Foreign exchange collar options

The consolidated entity had open foreign exchange collar options at 30 June 2016 relating to highly probable forecast transactions and recognised financial assets and financial liabilities. These contracts commit the Group to buy and sell specified amounts of foreign currencies in the future at specified exchange rates. The hedges are treated as cash flow hedges in accordance with AASB 9 "Financial Instruments: Recognition and Measurement".

The following table summarises the notional amounts of the consolidated entity's commitments in relation to foreign exchange collar options. The notional amounts do not represent amounts exchanged by the transaction counter parties and are therefore not a measure of the exposure of the consolidated entity through the use of these contracts.

	Notional Amounts		Exchange Rate	
	2016 $000	2015 $000	2016 $	2015 $
Consolidated Group				
Buy AUD / Sell USD			Put Call	Put Call
Settlement				
less than 6 months	15,000	40,000	0.70-0.75	0.83-0.72
6 months to 1 year	-	15,000	-	0.78-0.70

(d) Net Fair Values

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the balance sheet. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Group. Most of these instruments which are carried at amortised cost are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the Group.

Note 28: Financial Risk Management (continued...)

(d) Net Fair Values (continued...)

		2016		2015	
		Carrying Amount $'000	Net Fair Value $'000	Carrying Amount $'000	Net Fair Value $'000
Financial Assets					
Cash and cash equivalents	i)	75,706	75,706	195,355	195,355
Financial assets at fair value through other comprehensive income	ii)	1,281	1,281	954	954
Derivative financial assets	iii)	171	171	-	-
Loans and receivables	i)	29,275	29,275	15,974	15,974
		106,433	106,433	212,283	212,283
Financial Liabilities					
Trade and other payables	i)	22,723	22,723	29,364	29,364
Convertible bonds		-	-	125,000	125,000
Derivative financial liabilities	iii)	-	-	224	224
Insurance premium facility		-	-	1,568	1,568
Other liabilities	i)	319	319	428	428
		23,042	23,042	156,584	156,584

The fair values disclosed in the above table have been determined based on the following methodologies:

i) Cash and cash equivalents, trade and other receivables and trade and other liabilities are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts provided for annual leave, which is not considered a financial instrument.

ii) Quoted closing bid prices at reporting date.

iii) Fair valuation performed by financial risk management firm which include valuation techniques incorporating observable market data relevant to the hedged position.

Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1 $000	Level 2 $000	Level 3 $000	Level 4 $000
2016				
Financial assets:				
Financial assets at fair value through other comprehensive income	1,281	-	-	1,281
Derivative financial instruments		171		171
	1,281	171	-	1,452
2015				
Financial assets:				
Financial assets at fair value through other comprehensive income	954	-	-	954
Financial liabilities				
Derivative financial instruments	-	224	-	224

Note 29: Related Party Transactions

There were no other related party transactions during the financial year other than those included in the key management compensation as disclosed in the Remuneration Report contained in the Directors' Report.

Note 30: Share Based Payments

(a) Expenses arising from share based transactions

	Consolidated Entity	
	30 Jun 2016 $'000	30 Jun 2015 $'000
Equity settled share options and performance rights granted during:		
Year ended 30 June 2016	655	-
Year ended 30 June 2015	898	551
Year ended 30 June 2014	954	761
Year ended 30 June 2013	-	257
Total expense recognised as employee costs	2,507	1,569

(b) Performance Rights

Under the Performance Rights plan, executives are granted a right to be issued a share in the future subject to the performance based vesting conditions being met. The Company's share price performance is measured via a relative total shareholder return ('TSR'). The Company's TSR will be measured against a customised peer group of companies.

For grants made under the LTI plan during FY14, vesting will occur subject to the meeting of a 3 year service condition to 30 June 2016 and the performance condition tested against the relative TSR measure for the period 1 July 2013 to 30 June 2016.

For grants made under the LTI plan during FY15, vesting will occur subject to the meeting of a 3 year service condition to 30 June 2017 and the performance condition tested against the relative TSR measure for the period 1 July 2014 to 30 June 2017.

For grants made under the LTI plan during FY16, vesting will occur subject to the meeting of a 3 year service condition to 30 June 2018 and the performance condition tested against the relative TSR measure for the period 1 July 2015 to 30 June 2018.

The following table sets out the vesting outcome based on the Company's relative TSR performance:

Relative TSR performance	Performance Vesting Outcomes
Less than 50th percentile	0% vesting
At the 50th percentile	50% vesting
Between 50th and 75th percentile	Pro-rata / progressive vesting from 50% - 100%
At or above 75th percentile	100% vesting

No Performance Rights will vest unless the percentile ranking of the Company's TSR for the relevant performance year, as compared to the TSRs for the peer group companies, is at or above the 50th percentile.

The valuation inputs used in determining the fair value of performance rights issued during the year is detailed below:

	2016	2015
Underlying share price	$2.45	$4.29
Exercise price of rights	Nil	Nil
Risk free rate	2.1%	2.5%
Volatility factor	45%	45%
Dividend yield	1.5%	1.2%
Effective life	3.0 years	3.0 years
Entitled number of employees	20	16

Note 30: Share Based Payments (continued...)

(b) Performance Rights (continued...)

Performance Rights held by Key Management Personnel at 30 June 2016

	Balance at 1 July 2015	Granted as Remuneration	Exercise of Performance Rights	Lapsed / Cancelled / Other	Balance at 30 June 2016	Performance Rights Vested
D Lougher	965,690	299,750	(294,800)	-	970,640	-
D Southam	448,990	168,640	(165,900)	94,363	546,093	-
J Belladonna	346,223	113,630	(104,074)	-	355,779	-
W Jones	271,247	81,710	(83,476)	-	269,481	-
Total	2,032,150	663,730	(648,250)	94,363	2,141,993	-

Performance Rights held by Key Management Personnel at 30 June 2015

	Balance at 1 July 2014	Granted as Remuneration	Exercise of Performance Rights	Expired / Lapsed / Cancelled	Balance at 30 June 2015	Performance Rights Vested
D Lougher	836,971	205,140	(76,421)	-	965,690	-
D Southam	434,465	86,560	(72,035)	-	448,990	-
J Belladonna	270,584	118,859	(43,220)	-	346,223	-
W Jones	149,396	121,851	-	-	271,247	-
Total	1,691,416	532,410	(191,676)	-	2,032,150	-

(c) Option Plans

There were no options outstanding as at 30 June 2016.

Note 31: Reserves

i) Share Based Payment Reserve

The share based payment reserve records the items recognised as expenses on valuation of employee share options and performance rights.

ii) Hedge Reserve

The hedge reserve records revaluations of items designated as hedges.

iii) Investment Revaluation Reserve

The investment revaluation reserve records revaluations of financial assets at fair value through other comprehensive income.

iv) Convertible Bond Reserve

The Convertible bond reserve records the equity proportion value of the convertible bonds.

v) Foreign Exchange Reserve

The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars.

Note 32: Interests in Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

Name	Country of Incorporation	Percentage of equity held	
		2016	2015
Western Platinum NL	Australia	100%	100%
Australian Nickel Investments Pty Ltd	Australia	100%	100%
Bioheap Ltd	Australia	100%	100%
Western Areas Nickel Pty Ltd	Australia	100%	100%
Western Areas Employee Share Trust	Australia	100%	100%

All the entities above are members of the tax consolidated group of which Western Areas Ltd is the head entity. Western Areas Ltd is the parent entity and is incorporated and domiciled in Australia.

Note 33: Parent Information

The following information has been extracted from the books of the parent and has been prepared in accordance with the accounting standards.

	Parent Entity	
	30 Jun 2016 $'000	30 Jun 2015 $'000
Assets		
Current Assets	118,016	236,312
Non Current Assets	405,697	398,112
Total Assets	523,713	634,424
Liabilities		
Current Liabilities	25,726	169,761
Non Current Liabilities	42,973	45,227
Total Liabilities	68,699	214,988
Net Assets	455,014	419,436
Equity		
Issued capital	442,963	369,936
Reserves	15,403	31,565
Retained Earnings	(3,352)	17,935
Total Equity	455,014	419,436
Statement of Comprehensive (Loss)/Income		
(Loss)/profit for the year	(31,097)	37,371
Total comprehensive (loss)/income for the year	(30,376)	38,340

Guarantees

Western Areas Ltd has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

Contingent Liabilities

The Directors are not aware of any contingent liabilities as at the date of these financial statements.

Contractual Commitments

Refer to Note 21, all commitments were entered into by Western Areas Ltd.

Note 34: Additional Company Information

Western Areas Ltd is a Public Company, incorporated and domiciled in Australia.

Registered office and Principal place of business:

Level 2
2 Kings Park Road
West Perth WA 6005

Tel: +61 8 9334 7777
Fax: +61 8 9486 7866
Web: www.westernareas.com.au
Email: info@westernareas.com.au

Directors Declaration

1) In the opinion of the Directors of Western Areas Ltd:

   (a) the Consolidated Entity's financial statements and notes set out on pages 45 to 82 are in accordance with the Corporations Act 2001, including:

      i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2016 and of its performance, for the financial year ended on that date; and

      ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;

   (b) the financial report also complies with International Financial Reporting Standards as set out in note 1;

   (c) the remuneration disclosures that are contained in the remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures, the Corporations Act 2001 and the Corporations Regulations 2001;

   (d) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

2) the Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer, Managing Director, Executive Director and Chief Financial Officer for the financial year ended 30 June 2016.

Signed in accordance with a resolution of the Board of Directors.

D Lougher
Managing Director

Dated – 25 August 2016

Independant Auditor's Opinion

Crowe Horwath™

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF WESTERN AREAS LTD

We have audited the accompanying financial report of Western Areas Ltd, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion
In our opinion:

(a) the financial report of Western Areas Ltd is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 35 to 42 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion
In our opinion, the Remuneration Report of Western Areas Ltd for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001.*

Crowe Horwath Perth

CROWE HORWATH PERTH

CYRUS PATELL
Partner

Signed at Perth, 25 August 2016

Tenements listing

Name	Lease	Status	WSA Interest	Applicant Holder
Forrestania	E74/0470	Granted	100%	Western Areas Ltd
	E77/1734	Granted	200%	Western Areas Ltd
	E77/1865	Granted	100%	Western Areas Ltd
	E77/2099	Granted	100%	Western Areas Ltd
	G70/0226	Granted	100%	Western Areas Ltd
	G70/0231	Granted	100%	Western Areas Ltd
	L70/0111	Granted	100%	Western Areas Ltd
	L74/0011	Granted	100%	Western Areas Ltd
	L74/0012	Granted	100%	Western Areas Ltd
	L74/0025	Granted	100%	Western Areas Ltd
	L74/0044	Granted	100%	Western Areas Ltd
	L77/0104	Granted	100%	Western Areas Ltd
	L77/0141	Granted	100%	Western Areas Ltd
	L77/0182	Granted	100%	Western Areas Ltd
	L77/0197	Granted	100%	Western Areas Ltd
	L77/0203	Granted	100%	Western Areas Ltd
	L77/0204	Granted	100%	Western Areas Ltd
	M74/0057	Granted	100%	Western Areas Ltd
	M74/0058	Granted	100%	Western Areas Ltd
	M74/0064	Granted	100%	Western Areas Ltd
	M74/0065	Granted	100%	Western Areas Ltd
	M74/0081	Granted	100%	Western Areas Ltd
	M74/0090	Granted	100%	Western Areas Ltd
	M74/0091	Granted	100%	Western Areas Ltd
	M74/0092	Granted	100%	Western Areas Ltd
	M77/0098	Granted	100%	Western Areas Ltd
	M77/0215	Granted	100%	Western Areas Ltd
	M77/0216	Granted	100%	Western Areas Ltd
	M77/0219	Granted	100%	Western Areas Ltd
	M77/0284	Granted	100%	Western Areas Ltd
	M77/0285	Granted	100%	Western Areas Ltd
	M77/0286	Granted	100%	Western Areas Ltd
	M77/0329	Granted	100%	Western Areas Ltd
	M77/0335	Granted	100%	Western Areas Ltd
	M77/0336	Granted	100%	Western Areas Ltd
	M77/0389	Granted	100%	Western Areas Ltd
	M77/0399	Granted	100%	Western Areas Ltd
	M77/0458	Granted	100%	Western Areas Ltd
	M77/0542	Granted	100%	Western Areas Ltd
	M77/0543	Granted	100%	Western Areas Ltd
	M77/0545	Granted	100%	Western Areas Ltd
	M77/0550	Granted	100%	Western Areas Ltd
	M77/0568	Granted	100%	Western Areas Ltd

Name	Lease	Status	WSA Interest	Applicant Holder
	M77/0574	Granted	100%	Western Areas Ltd
	M77/0582	Granted	100%	Western Areas Ltd
	M77/0583	Granted	100%	Western Areas Ltd
	M77/0584	Granted	100%	Western Areas Ltd
	M77/0585	Granted	100%	Western Areas Ltd
	M77/0586	Granted	100%	Western Areas Ltd
	M77/0587	Granted	100%	Western Areas Ltd
	M77/0588	Granted	100%	Western Areas Ltd
	M77/0589	Granted	100%	Western Areas Ltd
	M77/0911	Granted	100%	Western Areas Ltd
	M77/0912	Granted	100%	Western Areas Ltd
	E77/2127	Pending	100%	Western Areas Ltd
	E77/2228	Pending	100%	Western Areas Ltd
	E77/2235	Pending	100%	Western Areas Ltd
	E77/2236	Pending	100%	Western Areas Ltd
	E77/2261	Pending	100%	Western Areas Ltd
	P77/4278	Granted	100%	Western Areas Ltd
	P77/4279	Granted	100%	Western Areas Ltd
	E77/1086	Granted	100%	Western Areas Nickel Pty Ltd
	E77/1399	Granted	100%	Western Areas Nickel Pty Ltd
	E77/1400	Granted	100%	Western Areas Nickel Pty Ltd
	E77/1416	Granted	100%	Western Areas Nickel Pty Ltd
	E77/1436	Granted	100%	Western Areas Nickel Pty Ltd
	E77/1581	Granted	100%	Western Areas Nickel Pty Ltd
	M77/0099	Granted	100%	Western Areas Nickel Pty Ltd
	M77/0324	Granted	100%	Western Areas Nickel Pty Ltd
	M77/0467	Granted	100%	Western Areas Nickel Pty Ltd
	M77/0468	Granted	100%	Western Areas Nickel Pty Ltd
	M77/0544	Granted	100%	Western Areas Nickel Pty Ltd
	P77/3735	Granted	100%	Western Areas Nickel Pty Ltd
	P77/3736	Granted	100%	Western Areas Nickel Pty Ltd
	P77/3737	Granted	100%	Western Areas Nickel Pty Ltd
	P77/3738	Granted	100%	Western Areas Nickel Pty Ltd

Name	Lease	Status	WSA Interest	Applicant Holder
	P77/3743	Granted	100%	Western Areas Nickel Pty Ltd
	P77/3748	Granted	100%	Western Areas Nickel Pty Ltd
	P77/3749	Granted	100%	Western Areas Nickel Pty Ltd
	P77/3750	Granted	100%	Western Areas Nickel Pty Ltd
	P77/3751	Granted	100%	Western Areas Nickel Pty Ltd
	P77/3752	Granted	100%	Western Areas Nickel Pty Ltd
	P77/3758	Granted	100%	Western Areas Nickel Pty Ltd
	P77/3836	Granted	100%	Western Areas Nickel Pty Ltd
	P77/3837	Granted	100%	Western Areas Nickel Pty Ltd
	P77/3838	Granted	100%	Western Areas Nickel Pty Ltd
	P77/3839	Granted	100%	Western Areas Nickel Pty Ltd
	P77/3840	Granted	100%	Western Areas Nickel Pty Ltd
	P77/3846	Granted	100%	Western Areas Nickel Pty Ltd
	P77/3847	Granted	100%	Western Areas Nickel Pty Ltd
	P77/3862	Granted	100%	Western Areas Nickel Pty Ltd
	P77/3865	Granted	100%	Western Areas Nickel Pty Ltd
	P77/4067	Granted	100%	Western Areas Nickel Pty Ltd
Lake King JV	E70/2148	Granted	70% Ni Rights	Swanoak Holdings Pty Ltd
	E70/4029	Granted	70% Ni Rights	Western Areas Ltd & Swanoak Holdings Pty Ltd
	E70/4428	Granted	70% Ni Rights	Western Areas Ltd & Swanoak Holdings Pty Ltd
	E70/4429	Granted	70% Ni Rights	Western Areas Ltd & Swanoak Holdings Pty Ltd
	E70/4430	Granted	70% Ni Rights	Western Areas Ltd & Swanoak Holdings Pty Ltd
Mt Gibb JV	E74/0603	PENDING	70%	Western Areas Ltd
Mt Alexander BHPB JV	E29/00638	Granted	25%	St George Mining Limited
Cosmos	M36/0127	Granted	100%	Xstrata Nickel Australasian Operations Pty Limited

Name	Lease	Status	WSA Interest	Applicant Holder
	M36/0180	Granted	100%	Xstrata Nickel Australasian Operations Pty Limited
	M36/0302	Granted	100%	Xstrata Nickel Australasian Operations Pty Limited
	M36/0303	Granted	80.6%	Xstrata Nickel Australasian Operations Pty Limited and Alkane Resources Ltd
	M36/0305	Granted	100%	Xstrata Nickel Australasian Operations Pty Limited
	M36/0329	Granted	80.6%	Xstrata Nickel Australasian Operations Pty Limited and Alkane Resources Ltd
	M36/0330	Granted	80.6%	Xstrata Nickel Australasian Operations Pty Limited and Alkane Resources Ltd
	M36/0332	Granted	100%	Xstrata Nickel Australasian Operations Pty Limited
	M36/0349	Granted	100%	Xstrata Nickel Australasian Operations Pty Limited
	M36/0371	Granted	100%	Xstrata Nickel Australasian Operations Pty Limited
	M36/0377	Granted	100%	Xstrata Nickel Australasian Operations Pty Limited
	M36/0467	Granted	100%	Xstrata Nickel Australasian Operations Pty Limited
	M36/0632	Granted	100%	Xstrata Nickel Australasian Operations Pty Limited
	M36/0633	Granted	100%	Xstrata Nickel Australasian Operations Pty Limited
	M36/0659	Granted	100%	Xstrata Nickel Australasian Operations Pty Limited
	L36/0042	Granted	200%	Xstrata Nickel Australasian Operations Pty Limited
	L36/0067	Granted	100%	BHP Billiton
	L36/0068	Granted	100%	BHP Billiton
	L36/0069	Granted	100%	BHP Billiton

Tenements Listing

Name	Lease	Status	WSA Interest	Applicant Holder
	L36/0070	Granted	100%	BHP Billiton
	L36/0071	Granted	100%	BHP Billiton
	L36/0072	Granted	100%	BHP Billiton
	L36/0073	Granted	100%	BHP Billiton
	L36/0074	Granted	100%	BHP Billiton
	L36/0075	Granted	100%	BHP Billiton
	L36/0076	Granted	100%	BHP Billiton
	L36/0077	Granted	100%	BHP Billiton
	L36/0078	Granted	100%	BHP Billiton
	L36/0079	Granted	100%	BHP Billiton
	L36/0080	Granted	100%	BHP Billiton
	L36/0081	Granted	100%	BHP Billiton
	L36/0094	Granted	100%	BHP Billiton
	L36/0095	Granted	100%	BHP Billiton
	L36/0118	Granted	100%	Xstrata Nickel Australasian Operations Pty Limited
	L36/0119	Granted	100%	Xstrata Nickel Australasian Operations Pty Limited
	L36/0145	Granted	100%	Xstrata Nickel Australasian Operations Pty Limited
	L36/0148	Granted	100%	Xstrata Nickel Australasian Operations Pty Limited
	L36/0159	Granted	100%	Xstrata Nickel Australasian Operations Pty Limited
	L36/0171	Granted	100%	Xstrata Nickel Australasian Operations Pty Limited
	L36/0172	Granted	100%	Xstrata Nickel Australasian Operations Pty Limited
	L36/0189	Granted	100%	Xstrata Nickel Australasian Operations Pty Limited
	L36/0194	Granted	100%	Xstrata Nickel Australasian Operations Pty Limited
	L36/0199	Granted	100%	Xstrata Nickel Australasian Operations Pty Limited
Western Gawler	EL 4440	Granted	Earning In	Strandline Resources Limited
	EL 5077	Granted	100%	Western Areas Ltd
	EL 5199	Granted	100%	Western Areas Ltd
	EL 5200	Granted	100%	Western Areas Ltd

Name	Lease	Status	WSA Interest	Applicant Holder
	EL 5688	Granted	100%	Western Areas Ltd
	ELA2014 /00252	Pending	100%	Western Areas Ltd
Southern Cross Goldfields JV	E77/1164	Granted	70% Ni rights	Black Oak Minerals Limited
	E77/1322	Granted	70% Ni rights	Black Oak Minerals Limited
	E77/1376	Granted	70% Ni rights	Polaris Metals Pty Ltd
	E77/1380	Granted	70% Ni rights	Black Oak Minerals Limited
	E77/1462	Granted	70% Ni rights	Polaris Metals Pty Ltd
	E77/1474	Granted	70% Ni rights	Black Oak Minerals Limited
	E77/1477	Granted	70% Ni rights	Black Oak Minerals Limited
	E77/1508	Pending	70% Ni rights	Julian Uncovich
	E77/1509	Granted	70% Ni rights	Black Oak Minerals Limited
	E77/1721	Pending	70% Ni rights	Polaris Metals Pty Ltd
	E77/1741	Granted	70% Ni rights	Black Oak Minerals Limited
	E77/1791	Pending	70% Ni rights	Black Oak Minerals Limited
	E77/1814	Granted	70% Ni rights	Black Oak Minerals Limited
	E77/1817	Granted	70% Ni rights	Black Oak Minerals Limited
	E77/1911	Granted	70% Ni rights	Black Oak Minerals Limited
	E77/1965	Granted	70% Ni rights	Black Oak Minerals Limited
	E77/1997	Granted	70% Ni rights	Black Oak Minerals Limited
	E77/2025	Granted	70% Ni rights	Black Oak Minerals Limited
	E77/2032	Granted	70% Ni rights	Polaris Metals Pty Ltd
	E77/2067	Granted	70% Ni rights	Black Oak Minerals Limited
	E77/2077	Granted	70% Ni rights	Polaris Metals Pty Ltd
	E77/2091	Granted	70% Ni rights	Black Oak Minerals Limited
	E77/2105	Pending	70% Ni rights	Jayvee Resources Pty Ltd
	E77/2109	Granted	70% Ni rights	Black Oak Minerals Limited
	E77/2110	Granted	70% Ni rights	Black Oak Minerals Limited
	E77/2124	Granted	70% Ni rights	Black Oak Minerals Limited
	E77/2141	Granted	70% Ni rights	Black Oak Minerals Limited

Name	Lease	Status	WSA Interest	Applicant Holder
	E77/2146	Granted	70% Ni rights	Black Oak Minerals Limited
	E77/2150	Granted	70% Ni rights	Polaris Metals Pty Ltd
	E77/2171	Granted	70% Ni rights	Black Oak Minerals Limited
	E77/2172	Granted	70% Ni rights	Black Oak Minerals Limited
	E77/2186	Granted	70% Ni rights	Black Oak Minerals Limited
	E77/2242	Granted	70% Ni rights	Black Oak Minerals Limited
	E77/2247	Granted	70% Ni rights	Black Oak Minerals Limited
	E77/2269	Granted	70% Ni rights	Black Oak Minerals Limited
	E77/2272	Granted	70% Ni rights	Black Oak Minerals Limited
	E77/2273	Granted	70% Ni rights	Black Oak Minerals Limited
	E77/2274	Granted	70% Ni rights	Black Oak Minerals Limited
	E77/2275	Granted	70% Ni rights	Black Oak Minerals Limited
	E77/2276	Granted	70% Ni rights	Black Oak Minerals Limited
	E77/2288	Granted	70% Ni rights	Flatrock Resources Pty Ltd
	G77/35	Granted	70% Ni rights	Black Oak Minerals Limited
	L77/221	Granted	70% Ni rights	Black Oak Minerals Limited
	L77/223	Granted	70% Ni rights	Black Oak Minerals Limited
	M77/166	Granted	70% Ni rights	Black Oak Minerals Limited
	M77/394	Granted	70% Ni rights	Black Oak Minerals Limited
	M77/576	Granted	70% Ni rights	Black Oak Minerals Limited
	M77/646	Granted	70% Ni rights	Black Oak Minerals Limited
	M77/824	Granted	70% Ni rights	Black Oak Minerals Limited
	M77/931	Granted	70% Ni rights	Black Oak Minerals Limited
	M77/962	Granted	70% Ni rights	Black Oak Minerals Limited
	M77/1025	Granted	70% Ni rights	Black Oak Minerals Limited
	M77/1044	Granted	70% Ni rights	Black Oak Minerals Limited
	M77/1256	Granted	70% Ni rights	Black Oak Minerals Limited
	M77/1264	Pending	70% Ni rights	Black Oak Minerals Limited
	P77/3461	Granted	70% Ni rights	Black Oak Minerals Limited

Name	Lease	Status	WSA Interest	Applicant Holder
	P77/3462	Granted	70% Ni rights	Black Oak Minerals Limited
	P77/3645	Granted	70% Ni rights	Black Oak Minerals Limited
	P77/3801	Granted	70% Ni rights	Black Oak Minerals Limited
	P77/3898	Granted	70% Ni rights	Black Oak Minerals Limited
	P77/3899	Granted	70% Ni rights	Black Oak Minerals Limited
	P77/3901	Granted	70% Ni rights	Black Oak Minerals Limited
	P77/3903	Granted	70% Ni rights	Black Oak Minerals Limited
	P77/3936	Granted	70% Ni rights	Black Oak Minerals Limited
	P77/3994	Granted	70% Ni rights	Black Oak Minerals Limited
	P77/4055	Granted	70% Ni rights	Black Oak Minerals Limited
	P77/4076	Granted	70% Ni rights	Black Oak Minerals Limited
	P77/4101	Granted	70% Ni rights	Black Oak Minerals Limited
	P77/4170	Granted	70% Ni rights	Black Oak Minerals Limited
	P77/4171	Granted	70% Ni rights	Black Oak Minerals Limited
	P77/4179	Granted	70% Ni rights	Black Oak Minerals Limited
	P77/4180	Granted	70% Ni rights	Black Oak Minerals Limited
	P77/4181	Granted	70% Ni rights	Black Oak Minerals Limited
	P77/4185	Granted	70% Ni rights	Black Oak Minerals Limited
	P77/4194	Granted	70% Ni rights	Black Oak Minerals Limited
	P77/4204	Granted	70% Ni rights	Black Oak Minerals Limited
	P77/4226	Granted	70% Ni rights	Black Oak Minerals Limited
	P77/4227	Granted	70% Ni rights	Black Oak Minerals Limited
	P77/4228	Granted	70% Ni rights	Black Oak Minerals Limited
	P77/4229	Granted	70% Ni rights	Black Oak Minerals Limited
	P77/4230	Granted	70% Ni rights	Black Oak Minerals Limited
	P77/4238	Granted	70% Ni rights	Black Oak Minerals Limited
	P77/4239	Granted	70% Ni rights	Black Oak Minerals Limited
	P77/4240	Granted	70% Ni rights	Black Oak Minerals Limited

Shareholder Information

(as at 31 August 2016)

Distribution of Shareholdings

		Ordinary shares*
i.	Distribution schedule of holdings	
	1 – 1,000	1913
	1,001 – 5,000	2145
	5,001 – 10,000	750
	10,001 – 100,000	941
	100,001 – over	100
	Total number of holders	5849
ii.	Number of holders of less than a marketable parcel	580
iii.	Number of overseas holders	179
iv.	Percentage held by 20 largest holders	56.92%

* All ordinary shares carry one vote per share without restriction

Largest Security Holders

Names of the 20 largest holders of Ordinary Shares are listed below:

Name	No. of shares	%
Wellington Mgt Company	15,204,119	5.58%
Schroder Investment Mgt - Sydney	13,289,957	4.88%
Antares Equities	11,697,160	4.30%
Paradice Investment Mgt	10,561,384	3.88%
Tribeca Investment Partners	10,511,537	3.86%
JCP Investment Partners	10,427,223	3.83%
Ausbil Investment Mgt	9,684,975	3.56%
Mr & Mrs Allan R Greenwell	9,009,862	3.31%
Avoca Investment Mgt	8,855,739	3.25%
BlackRock Investment Mgt	7,698,275	2.83%
Highclere International Investors	6,387,306	2.35%
Dimensional Fund Advisors	6,043,407	2.22%
NovaPort Capital	5,781,195	2.12%
Martin Currie Australia	4,778,914	1.76%
Schroder Investment Mgt - London	4,735,946	1.74%
State Street Global Advisors	4,288,562	1.58%
Helaba Invest	4,264,700	1.57%
Vanguard Investments Australia	4,021,817	1.48%
Colonial First State - Global Resources	3,972,639	1.46%
Colonial First State - Core Australian Equities	3,730,106	1.37%
Total	154,944,823	56.92%

Substantial Shareholders

Name	No. of Shares held	%
Commonwealth Bank of Australia	25,376,834	9.36%
Schroder Investment Mgt	20,427,308	7.54%
Wellington Mgt Group LLP	18,305,012	6.76%
Australian Super Pty Ltd	16,350,171	6.21%
National Australia Bank Limited	14,539,432	6.23%

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WESTERN AREAS LTD

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